

LOWTHER INTERVIEW #10

Loren Pennington: This is the tenth in the series of Flint Hills Oral History Interviews with Mr. James Lowther at his home at 1549 Berkeley Road in Emporia, Kansas.

Today's date is May 1, 2012, and the interviewer is Loren Pennington, Emeritus Professor of History at Emporia State University. Jim, last time our subjects were the school equalization finance in the legislature and also the oral hassle, whatever we might want to call it, of possibly admitting Washburn University to the State Regent System. Is there anything further you have to say on those two topics?

James Lowther: Yes, I think we pretty well covered the Washburn issue in the last tape. School finance, also, we covered pretty well. School finance, of course, is an issue that once you open that discussion it goes on forever. It's still going on as we're sitting here today in 2012. But I think we can move on and talk about a few other things today.

LP: Yes, well, we suggested last time that we were going to talk about three things—the hospital closing issue, the classification of property, and the severance tax. Which one do you want to start with?

JL: Well, let's start with the hospital issue.

LP: OK. Go ahead.

JL: The fact is, we started looking at this in 1993. But it was several years later before the final recommendation was made to close Winfield, the state hospital.

LP: That's a mental hospital, right?

JL: Yes, it was a mental retardation hospital. They had a lot of people with severe disabilities there at Winfield; I'll get into that. But what happened was that Rochelle Chronister was at that time Chair of the House Appropriations Committee and SRS had

recommended in a study that Winfield State Hospital be closed. The move here was to place people in community settings.

LP: Sort of de-institutionalize, is that the idea there?

JL: Yes, right. And so the superintendents of these institutions like Kansas Neurological Institute in Topeka and the Winfield State Hospital in Winfield, and also the hospital in Parsons were charged with finding community services to place these people in and there was a big movement at that time, and it was probably right and correct, that people with these terrific disabilities—I shouldn't say terrific—terrible disabilities, could be better cared for in a community setting rather than in an institution. And to place people in community service settings would gradually reduce the need for beds, and there was also a fiscal side to it. It was felt that services could be delivered to these people at less cost to the State of Kansas than in the institutions. But at any rate, I chaired the House Appropriations Sub-Committee to look into this closure issue and I had three other legislators on my sub-committee. We took the SRS recommendation and said that we were not going to depend on it. We were going to look at all three hospitals involved here, dealing with what is called MRDD (mentally retarded and developmentally disabled).

LP: As opposed to people who have what we might call various stages of insanity?

JL: Yes, those people were treated at Topeka State Hospital, Osawatomie, Rainbow, and Larned. But the problem we had at that time was looking at these three and we decided that we would visit all of them and we had a deadline of March 1, 1993, to make a recommendation. It received a lot of publicity at the time. The *Wichita Eagle* editorialized on which one and they thought that the recommendation by SRS for closure

of Winfield State Hospital was not well thought out, of course. And there was a tremendous amount of public input on this. To close Parsons State Hospital or Winfield State Hospital in those two communities would have been, of course, perceived at that time as quite devastating in terms of the numbers of people employed there and the economic or negative economic impact. But we did visit all of the hospitals and toured them. I have refreshed myself from a copy of the *Winfield Courier* dated February 10, 1993, and it tells about us arriving at [Strawder Field] there in the State airplane and we were greeted by a large contingent of Arkansas City residents and the Cowley County Community College band was there. We were picked up in limousines and driven up to Winfield, driven through downtown Winfield; it was a rainy day and they were lining the streets there. There were hundreds and hundreds, several hundred people and they were holding signs and they were, of course, pushing for continuation of their hospital.

LP: They were trying to persuade you not to close it.

JL: Yes. And all along the route clear through town out there were people out on the streets with signs like, Wichita State Hospital, a place that cares for people, etc.

LP: You said Wichita. You mean Winfield.

JL: Winfield, I mean Winfield, yes. But we did tour the hospital and we were quite impressed with what they were doing there at that time. We saw facilities there for children who had to be fed through tubes in their stomach and had to breathe through tracheotomy tubes. And a lot of special care was being administered to these people. And we also saw where the hospital was saving a lot of money by manufacturing a lot of things they used there in some of their supplies and all. At any rate, we also listened to

their budget request for the next fiscal year while we there to save them coming to Topeka.

And after that, we got back on the plane and flew to Parsons and went through Parsons State Hospital and we found there was just a little different mix of patients in the hospital. They weren't quite as developmentally disabled as much as they were mentally retarded and mixed up to a degree where they might be in danger of hurting themselves. They were close enough that you might think they should be in a mental hospital, but they were in cottages, a lot of them there, and supervised that way as opposed to being in a hospital bed-type setting as most of [the] Winfield [patients] were. But anyway, we toured that and we finally ended up making our recommendation to the full House Appropriations Committee and I believe it was on about March 3rd or 4th of 1993. And our recommendation was to close the Topeka facility, Kansas Neurological Institute, and a full panel, the full Appropriations Committee voted to do so, 13 to 8 to shut down KNI under a five year plan for reducing the population of their mentally-retarded patients. One of the reasons was that we felt that the large population of northeast Kansas had a better potential to create community services to take these people. In southeast Kansas it would have been really a problem. In the Winfield area we could see that it would be a problem there and they would be relying a lot on Wichita to come up with these types of community settings. Usually they would have a house and they would have this house especially equipped to accommodate the patients. But we felt that the Topeka area would be better able to accommodate the transfers and do it in a more timely manner. And there weren't quite as many, if I remember right, patients involved either. So this was our recommendation and in the lapse of time since 1993-94, I'm trying to recall, but the

recommendation we made then was set aside. The whole issue kind of dragged on for a while, and then finally in—well I can't remember the exact year—they decided to look also at placing patients with mental health problems in community settings and close a mental health hospital, as well. So the final outcome of it came that after extensive debate and study, in the end it was the Winfield Hospital that eventually was closed and also the Topeka State Hospital for the mentally ill was closed.

LP: Parsons is still going?

JL: Parsons is still going, and KNI is still going.

LP: Then they did not close the Topeka hospital?

JL: The Topeka State Hospital is closed.

LP: OK.

JL: And the Topeka School District more or less took over all that ground. There's a new sports facility out there, etc. The old, old building was torn down; it had the towers and it was rather weird. But the whole thing was closed and along with Winfield.

LP: But the Kansas Neurological Institute is still going?

JL: Yes, except that the Governor recommended that it be closed—Governor Brownback in his message to the 2012 Legislature. And I think it's still up in the air but I don't think they have the votes to close it.

LP: I was a little confused there. I thought the Topeka Hospital was the Kansas Neurological Institute.

JL: No, KNI is near the Veterans Hospital in Topeka on 21st Street.

LP: Yes.

JL: The old Topeka State Mental Hospital was out on West 6th, between 6th and the I-70 bypass, or I-70 actually.

LP: You say the Kansas Neurological Institute is what now?

JL: East of the Veterans Hospital.

LP: Yes, I know where that is.

JL: So, the final outcome after all the dust settled, Winfield [as a city] survived. They were able to place, rather surprisingly, the people in Winfield Hospital in community settings better than was anticipated. In the meantime, the Department of Corrections took over the old Winfield Hospital and they have a minimum security prison down there which has been in operation, and it's picked up a lot of the employment in that area. These are minimum security prisons; some of [the inmates] work at El Dorado State Park, maintain it and keep it looking nice, etc. But at any rate, that's the outcome of that issue, but it certainly was time-consuming and controversial—we had hearings, we had busloads of people arriving to attend from Winfield and from Parsons, and it was just almost hard to move up there without having somebody lobbying you from one of those towns—grabbing your shirtsleeve and saying, “Mr. Lowther, I'm so and so from Winfield; now I want to talk to you briefly.” We didn't have a lot e-mail back in those days; in fact we had hardly any. If I remember right, we didn't have many computers then, but we had plenty of mail and phone calls and people arriving in person. So that was one issue that I dealt with while I was in the Legislature.

LP: Well, to sum up then, they did close Winfield and the Topeka State Hospital.

JL: Yes.

LP: And Parsons is still operating.

JL: They kept Parsons operating.

LP: And the Kansas Neurological Institute is too, but just barely.

JL: KNI is still operating. They're still targeting it but it's still operating. And on the mental health side, the Larned facility, the Rainbow unit in Kansas City, Kansas, and Osawatomie, of course, are still viable and active.

LP: All three of them?

JL: Yes. They've been there and they're still there. So anyway, let's see here. I could mention now briefly a little bit about the so-called classification issue. We're talking about property classification here. It seems that what had happened here over the years is that the re-appraisal of property that was supposed to be on-going under this Constitution had not been followed throughout the state for many years. And so the value, the appraised value, of a home was maybe set in a 1929, 1939, or something like that and never changed, even though it actually was worth a lot more. The house had gone up in value but it never was re-appraised. So the values on the tax rolls were low, which would push for higher mill levies in order to raise the same amount of money, but everything had developed so slowly there was no major impact on it. But what had happened is we had a defacto property classification system.

LP: Defacto what kind of system?

JL: Property classification. Defacto. Because in effect when we look at residential properties, they wouldn't reappraise them so they were still—see, for example, I think my parents house was probably worth \$56,000 if they had reappraised it, and it was on the rolls for like \$12,000, see? So consequently when the mill levy was assessed they were paying based on a twelve thousand dollar appraised value. And so anyway, the problem

developed and it got worse and the House had started looking at this because the courts were getting involved. Somebody had filed a lawsuit, I guess. And the property evaluation division was beginning to push counties and county appraisers to begin reappraising property. Well, as they did this, some of these property values had not changed for years, [and] all of a sudden somebody's house which had been on the rolls at say twelve thousand, was on the roll at sixty. And the mill levy then, whatever the mill levy was, would be assessed on the higher valuation, and they would get hit with a terrific increase in their property taxes. And then also the farmers got involved because their expensive machinery jumped way up and they were demonstrating. So John Carlin was the Governor at that time and he insisted that we needed a constitutional amendment to prevent a massive property tax shift from utility, commercial, and industrial onto residential. We needed a classification system.

LP: What do you mean by classification system?

JL: Well, what I mean is this. You have to look at the assessment rates. The first amendment would put rural residences and urban residential property and ag land at 6%. In other words, 6% of market value would be the assessed value. If a property was assessed at \$100,000 then the Constitution would say it was valued, appraised at \$100,000, but it would be assessed at 6% of that.

LP: \$6,000?

JL: \$6,000 for tax purposes. And industrial, commercial, etc. [properties] were at 15%. And personal property, office equipment etc., motor vehicles etc., at 30%. And public utilities at 30%, etc. We finally exempted farm machinery—there was almost a revolt and so farm machinery had been exempted by that time.

LP: There was no property tax [on farm machinery] at all?

JL: No tax at all, and I think that's still the case. But at any rate, this was a long drawn out [affair].

LP: How about farm land?

JL: OK. That brought up another issue. The Constitution had a provision in it to allow farm land to be assessed at its use value instead of its market. And so eventually this was put into effect.

LP: By use, I take it you mean how much can you make off of it in a year?

JL: Yes, that's right. In other words, pasture land wouldn't be as valuable on use basis as cultivated, irrigated land. They did a study of all the soil in Kansas, because if you had rich soil then you were going to produce more and you would have higher property taxes. If you had barren clay of some type, then that would be of lesser use value.

LP: Dry land?

JL: Yes, dry land.

LP: So what you're saying here, depending on what kind of property it was, the tax levels varied. The tax assessment levels varied.

JL: Yes. I was at that time the Vice-Chair of the Tax Committee—had been for a long time—and Representative Ed Roth of Junction City was the Chair, and we finally got a classification amendment passed. As I recall, it started in '84, but in '85 I think it passed and in March it hit the Senate and it failed in the Senate to get the 27 votes, which you needed for a constitutional amendment. And so the House decided, myself and Roth decided, to come up with a new one, introduce a new version for classification and in March of '85 we introduced that in the House and I think I was quoted then as saying

things like we were going to come up with a hybrid between what maybe the Senate wanted and what the House originally wanted. In other words, that dirty word today . . . compromise. And we did fashion one finally and it was finally passed. But again, it was a contentious issue and you had to have two-thirds vote in the House and the Senate and I think as I mentioned earlier, the original proposal was to put residential property at 6%. We came up with this amendment that would value residential property at 12% of fair market value and other property at 30% and exempt certain business machinery and farm equipment.

LP: In other words, you were not going to tax every kind of property the same? You divided up on what was fair; [that is classification].

JL: We had to have a constitutional amendment because the Constitution said everything's the same, fair and equal, they had to be the same. So to get around this massive shift of tax burden from say corporations and commercial to residential and to prevent homeowners from being faced with huge increases in their taxes, the constitutional amendment was introduced. . . .

LP: To allow you to tax different kinds of properties at different rates.

JL: Yes. And we had a proposal there that would, as I say, put residential property at 12%. We had ten categories of classification; it was fairly complex. But at any rate, when it finally got past both houses and was submitted to the people to vote, they did pass it. Residential property ended up at 11%, and that's where it is today.

LP: Did you say agricultural land was [assessed] not really on the sale value of it, but on the use value of it?

JL: Yes. That was a separate—you could call it a deviation—a separate option that was available and was finally put into place. When it was first put in the Constitution it was something new and the people were just hands off. They were scared of getting involved here, but then faced with all the increase from all the changes going on and the re-appraisal process going on, the farm communities, farmers, and ag businesses, could see that this was a better way to go and it has been very complex. The only problem is, it's only good as long as they have the land quality pegged correctly, and there are other variables. Like they have the capitalization rate. I can't get into that now, but if they set the cap rate . . . the Department of Revenue sets the cap rate too high or too low this could cause not enough taxes to be raised or too much to be raised and people would be upset.

LP: It was an attempt to be fair by not being equal?

JL: That's right. It was classifying them; instead of having everything the same, it was classifying them. And it finally went through and has been the law now for several years, in fact. But I did run across something if we want to change it to another topic here.

LP: Oh yes, go ahead.

JL: I ran into an article here on April 24, 2012.

LP: A week ago.

JL: Pardon?

LP: A week ago?

JL: Yes, in the *Capital Journal*, that the Kansas University Hospital plans to revise their heart transplant program. And this brought back memories to me because back in 1993 and in '95, etc., I was chairman of the Legislative Post-Audit Committee. And I think

probably it started with the *Kansas City Star* responding to complaints that were being heard about this heart transplant program.

LP: Is that in the KU Medical Center?

JL: Yes, at the KU Medical Center there on Rainbow Boulevard in Kansas City, Kansas.

And the waiting list was growing and so pressures

[End of Side A]

[Side B]

LP: Go ahead Jim, talking about the heart transplant program at the KU Medical Center on Rainbow Boulevard in Kansas City.

JL: We had heard a lot about this in the Legislature, of course, and so the pressure was building to look into the problem. It seems that what was going on there from early Spring of '94 until late March of '95, the hospital had not performed any transplants and they had turned away every donated heart. But the hospital kept admitting patients and putting others on the waiting list, and if I recall, one man passed away while he was on the waiting list because they couldn't do it. There was a conflict involved with the doctors and the staffing. The whole thing was a real problem and a lot of the doctors left and went to other states. But at any rate, we had terrific pressure from, I'm not sure I mentioned this on the other side, terrific pressure from the University and from the Hospital to not do the post-audit because they wanted to more or less keep it quiet and they didn't want that adverse publicity. But the Post-Audit Committee voted to proceed and we did.

LP: I suppose the reason they wanted to keep it quiet is if it gets out that this is happening, who's going to come to KU to have anything done on that?

JL: Well, yes; the public perception then would go beyond the heart transplant program to the other heart programs. . . .

LP: It would make you wonder whether I should have my heart treated at KU or anything else.

JL: Yes, or anything else.

LP: Very bad publicity for them.

JL: They were concerned. At any rate, the KU Med Center, now KU Hospital, sees a need for this and they received a grant that they might begin to proceed on this.

LP: Restart the [transplant] program?

JL: Restart the program. They had last year sent quite a few patients to other hospitals because they could not perform the transplant there. They'd have to go to St. Luke's in Kansas City, Missouri, which has an active transplant program, and of course, if the KU program does get off the ground it would be in competition with St. Luke's. But my point here is that the article about what they're planning to do now to start a program that's been closed since 1995 was an interesting interval in my legislative career there. And the audit was completed, there was this big audit—took a while, and we presented the results of that audit to the hospital, to the officials, the new head of the hospital and the Chancellor of the University. [They] all met in the auditorium there at the KU Hospital and they had to listen to the bad news. And there was a tremendous amount of pressure, of course, involved in this and a lot of feelings were running pretty high. But they ended up then closing it down and they began at that time to revamp their heart program and now the cardio-vascular section is hiring people, and one of the surgeons involved is Dr. Kindred, who was an Emporia boy; he grew up here. And actually the

heart care for heart disease, heart attacks etc., is exemplary. But now they see the need to start again the transplant [program], and that's what brought it back, the rather contentious audit and results that we went through there for a period back in '94 and '95. I thought that might be kind of interesting.

LP: Yes, that's interesting.

JL: There are other anecdotes like that that I could talk about, but I might talk a little bit about—I'm not too organized on the severance. Well, as I recall, it was a tax that they felt that—I think Carlin was Governor. They needed more revenue, they were pinched. There were some hard times that we went through and we took some spending cuts, etc. similar to the current recession. This was going to put a tax on oil and gas production, and also coal and salt, to some degree.

LP: The minerals that you take out of the ground you are taxed on.

JL: Yes. The proposal was, I think, was over a hundred million dollars, what was supposedly a severance tax and at the time there was a critical shortage of funding for the highway program and for the schools. So this was being advanced as a way to increase the revenues for the state to meet some of these needs. And the fact is that a lot of oil producing states had for years had a severance tax.

LP: But we did not?

JL: We did not. The lobbying on this was just amazing. The oil industry was up in arms because they claimed that a lot of the production in Kansas was from low production wells; they were marginal wells, and if you put a tax on, they'd be plugged, closed down because you couldn't make any money. I did have some personal experience later with an oil well and the cost of the electricity to run the pump was more than what we could

get for the sale of the oil. So you know, some of these marginal wells were under pressure. And the proposal that we kicked around was going to try to take into account the fact that those low marginal wells shouldn't be treated the same as a well with several thousand barrels a day, or whatever. At any rate, it was a very contentious issue and I came under a terrific pressure from oil interests here in my district in Emporia.

LP: You mean down around Madison and these places?

JL: Well, some of the people lived here.

LP: Not that the wells were actually here but that the people who were interested in them were here.

JL: The wells weren't here, but the people were here and at that time I was still employed at the Citizens National Bank.

LP: Not to mention that the head of Citizens National Bank was very interested in the severance tax.

JL: Yes, that's true. But he also was a little broader minded about it than some of the producers at the time.

LP: We're talking about Oliver Hughes?

JL: [Yes. People] wrote him trying to have pressure put on me to either change my position or be fired, I guess.

LP: You were in favor of the severance tax?

JL: Well, I didn't jump in with both feet on it, no. I studied it for, I forget now, I think it was two different sessions of the Legislature we kicked this around. It took quite a while for it to gain enough credence and enough support to get the votes. I think the president of the Senate was Ross Doyan at that time and he was opposed to it. And then I ran into

another problem back then because at the same time that I was chairing the House Education Committee and we had a three-year plan for state aid for school districts. And somehow it got tied to the severance tax.

LP: Naturally.

JL: And so my position was that I thought it was wrong to put this burden of the severance tax—I called it a “tax yoke”—around the neck of school finance.

LP: You didn’t want to use the severance tax then to meet the school problem?

JL: I didn’t think it was necessary.

LP: OK.

JL: And I didn’t want to.

LP: Right.

JL: Right, yes.

LP: There are other ways of funding the school program?

JL: Yes. And I thought that the message that opponents of severance tax were putting out was done personally, because they would then try to gain the support of all the school boards and the school people across the state. And so I was concerned that the public might be getting a distorted opinion over this issue involving severance tax and school finance.

LP: On the face of it, it looks like the severance tax is a good idea for the schools?

JL: Well, yes. It was going to provide funding for schools.

LP: But you said there was more to it than that.

JL: Well, I thought they were trying to make a scapegoat out of school finance in order to get support to scuttle the severance tax.

LP: I'm not following that too well. In other words, the people who didn't want the severance tax. . . .

JL: Well, the people who were opposed to the severance tax were saying that the reason that [the proponents of the severance tax] want this tax is to pass the school finance plan, the two year school finance plan. They want this tax to fund that. And I was saying that we didn't need the severance tax this early because. . . .

LP: You were for funding the [school finance] program?

JL: I was, yes. I was..

LP: But not by doing it with the severance tax?

JL: Yes. Yes, and so this was in '82 and this was going on. Doyan had the bill on school finance sent over there [to the Senate]—we had it passed overwhelmingly—and he put it in a committee over there and then he double-reverted to Ways and Means in the Senate and they said education was going to make it tough for it even to get to the floor of the Senate, see. He was trying to hold it down. And we had 92 votes to pass it.

LP: In the House?

JL: In the House. And I didn't think it should be scuttled in the fight over the severance tax. At any rate, that was the type of debate, the type of problems that you kept running into in the Legislature all the twenty years I was up there. All these different things would develop like that that.

LP: This thing gets tied to that thing.

JL: Yes, right. And you had to start negotiating, how to figure a way to get around all these. And so if I had the support of some people in the Senate but not Doyan, President

of the Senate. But at any rate, I had a lot of editorial support, frankly, for my position in the Kansas newspapers so I felt like I was on pretty strong footing.

LP: You were opposed to the severance tax?

JL: Well, I was opposed . . . no, I wasn't necessarily opposed at that time. I can't remember my position at that time but later on I did support the severance tax, I did. The point is that I wanted the school finance plan. . . .

LP: Independent of the severance tax?

JL: Regardless of the severance tax. But the Senate and President Doyan, they weren't going to move school finance until they killed the severance tax. Killed it, not let it go anywhere. They didn't want anybody using that need for school money as a reason for it and so they wanted to kill it. Well, anyway, the headlines were stuff like Tax Votes Try to Sink School Bill, etc. But the severance tax at that time—Carlin was Governor in '81 and Wendell Lady was Speaker of the House and it's interesting. I was looking back and the Governor's press secretary at that time was Bill Hoch, who was from Emporia. His father was Orville Hoch of the Hoch Dairy. And for several years Bill Hoch was involved in state politics. In this case he was the press secretary for Governor Carlin. And what was happening then finally was that the House was going to pass this and send it to the Senate and they called it the proposed Mineral Production Tax on oil, gas, coal, salt, and cement. And they tried everything on the floor. They tried to strike the enacted clause, which is a maneuver you can use in floor debate to kill a piece of legislation. If that passes the bill is dead. Well, they were not successful in doing that. The vote on that for example was 71 against [52] in favor, so that set the stage then for further debate and

further voting and further balloting on the severance tax proposal in the Senate. But it was a compromise that finally passed with an 8% tax rate reduced to 5%..

LP: It was reduced from 8 to 5?

JL: As the proposal originated we were kicking 8%.

LP: You ended up with a 5%.

JL: Yes. We did compromise to reduce it to a 5%.

LP: Is that 5% of the value of the materials of the production?

JL: Of the production, yes. The coal went from 8 to 2%. So at any rate, that was a contentious debate that went on over several sessions, and I remember being on the Tax Committee. I was involved in quite a bit of that as well as being chair of the Education Committee. And so those things get intertwined.

LP: Did you finally get the school finance separate from the severance tax?

JL: Yes, finally, finally did.

LP: I take it you didn't want to have the school finance plan dependent on the severance tax?

JL: No.

LP: I see.

JL: That's true. We had coalitions forming then. I'll get into that the next time, but we had I think one vote to pass that was about 64 to 61, it takes 63. So you can see how close it was. At any rate, I thought that the pressures that I had on the severance tax issue from those opposed to it was much more or even greater than the pressure I got from KU on the heart transplant issue. But that's all I want to talk about on that.

This is another issue that came up late in my service in the Legislature. I was on the Appropriations Committee still in the '96 session, which was my last session, but there was a problem with an investment program for local governments that Sally Thompson, the State Treasurer, had implemented. It was called The Municipal Investment Pool (MIP), and it was designed by Thompson to accommodate cities and counties and I guess school districts to place their short-term extra money. About the only choice they had around the state was to use banks if banks were interested in bidding on it at all, so she came up with this idea of the Municipal Investment Pool. And the problem was that Thompson put investments in long-term bonds and the situation then in the 90s was that the interest rates went up higher than the interest rates on these bonds. And the State Treasurer was carrying somewhere around 20 million dollars in losses on the books, because they had taken the money from the local governments, put it in long-term bonds and the bonds were under water.

LP: And as the interest rates fell, the value of the bonds fell.

JL: Yes.

LP: And if they wanted to sell them on the market to use the money, they were losing money.

JL: And the local units of government could get more for their money under the current conditions than in a bank cd.

LP: Yes.

JL: So they wanted their money out of the Municipal Investment Pool. In order for the State Treasurer to get the money to pay off, you're right, she had to sell those bonds at a

loss. In the meantime, if they did sell them they were carrying them on the books at a loss, see?

LP: In other words, they are long-term bonds, and the only way you can get your money out of them [before their termination date] is to sell them on the open market.

JL: Yes.

LP: You can't turn them in [to the issuers] and get your money.

JL: Yes. So anyway, I happened to be [lucky or unlucky] on the sub-committee in House Appropriations to look into this problem and I had the support of Representative John Edmonds from Great Bend, who was an accountant. And so we came up with a proposal—there were myself and two others, myself, Edmonds and someone else, I forget, on the House Appropriations Sub-Committee and this proposal would strip the Treasurer's office of most of its investment powers and put them in a new division within the Department of Administration.

LP: In other words, you didn't like what the State Treasurer was doing with the funds?

JL: That's right. And at that time, of course, the State Treasurer wanted to maintain those powers and she was accusing us of being partisan because she was a Democrat. I don't think it was a partisan issue at all, frankly. But anyway, they accused me and Edmonds of sabotaging the program. Well, both sides saw the issue of who retains day-to-day investment duties as a rather important issue and our idea was to remove it and put it in a division within the Department of Administration instead of one person that's the State Treasurer, to be a committee or however they would want to do it. They would be better to manage the funds than one elected official.

LP: In other words, how to handle the money that we aren't spending.

JL: Yes.

LP: Is that it?

JL: Well, it was idle funds.

LP: Idle funds. What to do with the idle funds.

JL: Idle funds, yes. But Sally Thompson, the State Treasurer, said well you're taking away the authority of the people to elect the person who manages their money and she said, "It's not your authority to take away. It's not my [idea] anyway." We still pushed our plan and felt that we were trying to be as non-political as we could. Well, the sub-committee made a recommendation and the debate in committee was lengthy, and over in the Senate they had their version of the bill and it was more acceptable to the State Treasurer, so we were going to have to get together with the Senate on this. They had the pooled money investment board, which she of course headed, and there was a way that we could use some of the earnings to offset some of the losses and it got pretty complex. There was some [arbitrage] involved, etc. But at any rate, we felt like the State Treasurer should be replaced in handling these idle funds. Now some of the Democrats in the House said none of the counties or cities are opposed to Sally Thompson, the State Treasurer, retaining the power. That may have been true, but they also wanted their money and if they were going to have it invested, they wanted it at current prevailing rates. So at any rate, the bill finally did pass, if I remember right. The original idea went nowhere, but eventually the whole mess was corrected. And I remember talking with the county people here; they were going to push to get their idle funds returned, whatever it cost the state to get out of the mess.

LP: Well, who's going to take the loss if they sold them? Would the state guarantee that they would. . . .

JL: Yes, it would be a state loss, a state loss to the taxpayers.

LP: OK. In other words, the local units were not going to lose anything?

JL: Yes.

LP: The state treasury had to come up with the money, but to come up with the money it was costing the taxpayers of the state as a whole.

JL: Yes. Here's what I wrote, I found something here. The Senate, you know, had their version and passed it and I was writing then at the time commenting that the market value of the Municipal Investment Pool (MIP) had fallen because the Treasurer invested bonds carrying interest rates below current rates. And the State Treasurer was forced to sell over \$400,000,000 worth of bonds prematurely at a loss of 7.8 million dollars to the state of Kansas.

LP: 7.8 million?

JL: The loss, that was the loss.

LP: But not billion?

JL: Million, yes, we're talking millions here. And so consequently it was a pretty hotly debated issue, and one of the problems we had, as you can see in trying to explain it here today, it's hard to understand that. And the average legislator was completely devoid of any knowledge about the Municipal Investment Pool. They had no experience with it and very few people in the city offices—I think only one person down at the county level—even knew what was going on. And so it was hard to recommend these major changes, but when the price tag started coming in then we had a little more clout to get

some changes made. But that was something I ran into right at the end of my term in the House. So I don't know how far we are.

LP: Well, we're right close to the end of the tape.

JL: Yes.

LP: Let's see, what shall we talk about next time?

JL: Well, next time what I thought I might do is prepare some comments so I have them ready about what was going on in 1994 and 1995. There were issues, well you know, Washburn surfaced again under Governor Hayden there, but then we had qualified admissions for the universities, the KPERS under-funding, we can talk about that and that would be what I think might fill an hour pretty easily.

LP: What about this business that you talked about, your newsletters?

JL: Well, that's what I mean. As I said here, I will summarize—I'll pick out some things that happened during the session to illustrate what was going on.

LP: So you think it will take up one session?

JL: Yes.

LP: Well, what is the newsletter that you. . . .

JL: Well, right now are you on any legislator's newsletter?

LP: No, no.

JL: Legislators have computers. They can send out pictures of themselves, they can send you on e-mail or by U. S. mail fancy full color news each week of what's going on or as often as they want. When I was there all I had was a small recording cassette to record things and then my secretary would transcribe on the typewriter my session news—I called it Session News and Notes or News of the House, etc.

LP: This is what you're sending out to your constituents?

JL: Yes, and I would mail out maybe, oh I forget how many now, at least 60, maybe more, of these news each week during the. . . .

LP: OK. How many copies of each?

JL: I would mail out to about sixty people, maybe a hundred, it would vary.

LP: In other words, you aren't sending them to everybody?

JL: No, no. Just the people who supported me or who were interested and if I was making a talk somewhere, I'd say I'd be glad to put you on the mailing list.

LP: So we're going to take a look at your newsletters..

[End of tape 10]