

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Paul "Bud" Burke at  
Chairperson

11:00 a.m./p.m. on March 26, 1984 in room 519-S of the Capitol.

All members were present ~~except~~

Committee staff present: Don Hayward, Revisor's Office  
Wayne Morris, Research Dept.  
Tom Severn, Research Dept.

Conferees appearing before the committee:

John Myers, Policy Analyst, Budget Division  
Harley Duncan, Secretary of Revenue  
Mike Beam, Kansas Livestock Association  
John Blythe, Kansas Farm Bureau  
John Koepke, Kansas Association of School Boards

The committee held a hearing on HCR 5009, a proposed constitutional amendment to classify property for taxation purposes and establish assessment ratios to be used in taxing various classes of property.

The following persons appeared in support of HCR 5009:

John Myers, representing the Governor's Office, said that Kansas has for some time been under the threat of court-ordered reappraisal. He said a classification amendment is essential in order to prevent a shift of over \$200 million in property taxes to farmers and homeowners. (Attachment #1)

Harley Duncan, Secretary of Revenue, said that to reappraise property and to utilize those values for tax purposes without a classification amendment would create a tax burden shift of extremely large proportions, primarily on to homeowners and owners of agricultural land. He presented tables describing the proportion of statewide assessed valuation now carried by various classes of property and those changes which are estimated to occur under reappraisal without classification and under HCR 5009. He urged favorable consideration of a classification amendment, saying that failure to do so would create a massive shift in tax burden and make our overall tax structure more regressive. (Attachment #2)

Mike Beam, KLA, told the committee their association's criteria for an acceptable classification proposal was 1) assessment rates on agricultural land valued by "use-value" and "fair market value" which approximates the status quo for agricultural real property; 2) personal property taxes on livestock should be constitutionally exempt or phased out; and 3) farm machinery personal property taxes should continue to be exempt. (See Attachment #3)

John Blythe, KFB, stated their members have a policy statement relating to appraisal and assessment. The policy on reappraisal of property says that procedures should be developed to insure against an unfair shift of taxes to agricultural and residential property. They hope when the legislature implements new values that problem would be taken care of and the current status would be protected as near as possible. They believe livestock should be exempt from property tax. Their policy also speaks to "use value" appraisal and says that the capitalization rate should be based on money market factors. Their policy further states

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,  
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on March 26, 1984

that the owner of any land devoted to agricultural use may elect to be classified and assessed to either subclass (C) or (D) of class 1; and once any such election is made, such land shall be assessed in accordance with the appropriate subclass, unless a change is approved by the Board of Tax Appeals.

John Koepke, KASB, said they are dismayed by the wide disparities in assessment within property classes in the same taxing jurisdiction and remedial action is needed. Their Delegate Assembly overwhelmingly adopted a policy statement endorsing the concept of a constitutional amendment which would provide for the classification of property in Kansas with assessment percentages for each class specified in the amendment. He believes that the correlation between a classification amendment and the school finance formula has not received the attention it deserves. The enactment of any such amendment needs to take into consideration the changes in district wealth in the school finance formula that would occur as a result of any classification amendment, so that adjustments can be made to allow for those shifts. (Attachment #4)

The chairman reminded the committee that they would be hearing from the opponents to HCR 5009 tomorrow, March 27, 11:00 a.m. He adjourned the meeting at 12:15 p.m.

ASSESSMENT AND TAXATION

OBSERVERS  
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
MARCH 26	Janice Marcum	Topeka	DOR
"	Charmai Hadd	"	gov's office
"	John Myers	"	" "
"	Harley Duncan	"	Dept of Rec
"	Shel Martin	"	"
"	Brief Edds	"	"
"	Lindy Jordan	KC	Parhandle Eastern
"	Joe Durgans	KC	KCP & Light
"	Bob Meyer	KP&L - Topeka	KP&L
"	Bill Curtis	Topeka	KASB
"	Dick Funk	Topeka	KASB
"	Demotley Hageman	LAKIA	KLPG
"	Chip Whelan	Topeka	KLPG
"	Walter Busch	Rolla	"
"	Georg Bunson	Hugoton	Co. Com.
"	Grace Drew	Hugoton	KLPG
"	Arno Padrick	Wessex	A. C.
"	Laura Brunsler	Rolla	KLPG
"	Rick Keady	Topeka	KPL / Gas Service Co.
"	Michael C. Germano	"	Ks Railroad Association
"	RON CALBERT	NEWTON	U. S. A.
"	Leroy Jones	Overland Park	B. L. E.
"	RICK FENEYOLD	TOPEKA	AT&T
"	TREVA POTTER	TOPEKA	NORTHERN NAT
"	Tom TUNNELL	HUTCHINSON	KS. GRAIN & FEED ASSN.
"	B. Cushman	Topeka	Comm of Farm Orgs
"	Reith Wilbur	Topeka	IS & A A O W
"	D. WAYNE ZIMMERMAN	TOPEKA	THE ELECTRIC COS ASSOC. OF KS.
"	E. Todd Spurlock	"	KS. Assn of Realtors
"	JOHN W. BRAND, JR.	LAWRENCE	LAWR. APARTMENT ASSN.
"	John L. Patten	Topeka	K. C. Times







---

OFFICE OF THE GOVERNOR  
State Capitol  
Topeka 66612-1590

John Carlin Governor

Testimony to  
Senate Assessment and Taxation Committee  
on House Concurrent Resolution 5009  
by John Myers  
March 26, 1984

Thank you, Mr. Chairman, for permitting me to present to the Committee the Governor's views on the important issue of classification.

Kansas has suffered for some time under the threat of court-ordered reappraisal. Inaction by the State to secure a constitutional amendment permitting classification of tangible property prior to any court action has been, and still is, an unacceptable course. A classification amendment is essential if we are to prevent a shift of over \$200 million in property taxes to farmers and homeowners.

Pending legal actions seeking reappraisal of all property, federal intervention on behalf of certain industries and continuing legislative efforts to grant special tax exemptions and alter appraisal methods for certain classes of property in piecemeal fashion, all underscore dissatisfaction with the present system. They highlight the urgent need for comprehensive measures to address these issues.

The Governor is heartened that the House, by a more than adequate margin, has passed a classification amendment which maintains the basic concept of protection for homeowners and farmers. While no one classification amendment will satisfy the desires of every constituency, it is far preferable for the Legislature to resolve this issue through the process of compromise, rather than sit idly by and abdicate its responsibility to the courts.

3/26/84 Atch. 1

The Administration does not argue that House Concurrent Resolution 5009 is the only solution possible, but Governor Carlin does believe that now is the time to deal with the issue in a constructive way. He has applauded the action of the House for demonstrating that one representative body of the entire State supports the need for a classification amendment prior to beginning the reappraisal process.

The Governor urges this Committee and the Kansas Senate to continue positive action toward a resolution of the current property tax dilemma in our State.



*Kansas*  
DEPARTMENT OF REVENUE

State Office Building  
Topeka, KS 66625

## MEMORANDUM

March 26, 1984

TO: The Honorable Paul Burke, Chairman  
Senate Committee on Assessment and Taxation

FROM: Harley T. Duncan  
Secretary of Revenue

SUBJECT: HCR 5009 regarding Property Classification

Thank you for the opportunity to appear before you today to discuss the subject of property classification and HCR 5009 as passed by the House of Representatives. This resolution embodies a constitutional amendment which classifies property for tax purposes and establishes assessment ratios to be used in taxing various classes of property. I appear in support of adopting of a classification proposal, but do not necessarily favor HCR 5009 over other proposals which can be developed.

To reappraise property and to utilize those values for tax purposes in the absence of a classification amendment would be to create a tax burden shift of extremely large proportions, primarily on to homeowners and owners of agricultural land. Such a shift would, in my mind, constitute a serious and undesirable policy change in the burden of Kansas taxes and could have long run negative consequences for the effective operation of many governmental units in Kansas. While the ownership of property may well have been a good indicator of ability to pay and wealth in the 18th and 19th centuries, we must recognize the realities of the day as we move toward the reappraisal of real property. Over the past 40 years, assessment to value ratios for real property have continually declined in Kansas, and we have reached a point where to try to achieve uniform and equal assessments would work a literal revolution in our tax structure. It is only through adoption of a classification amendment in conjunction with reappraisal that we can significantly improve the equity of our property tax system and preserve some semblance of the status quo in terms of the distribution of that tax burden.

While the precise amount of any tax shift occasioned by reappraisal is difficult, if not impossible, to calculate it is not difficult to develop data which show the direction of the shift and the order of potential magnitude.

Table I displays the proportion of statewide assessed valuation now carried by various classes of property and those which are estimated to obtain under reappraisal without classification and under HCR 5009. Most strikingly, the proportion constituted by agricultural real estate doubles from 15.4 percent to one-third of the total under a straight reappraisal. Similarly, residential real

*Atch. 2*  
*3/26/84*

estate increases by nearly 40 percent from 18.5 percent to 25.5 percent. In total, real estate, which now constitutes just under one-half of the assessed valuation, would climb to 80 percent of the valuation with farmers and homeowners bearing the bulk of the increase. Under HCR 5009, the increases in real estate as a proportion of total assessed valuation are moderated substantially. Total real estate increases to 54.9 percent of all assessed valuation. Agricultural land increases to 18.6 percent, while residential real estate declines to 14.2 percent largely as a result of the 6.0 percent assessment ratio established on such property in HCR 5009. The most recent Assessment/Sales Ratio Study indicates that the current median ratio for said property is approximately 8.0 percent.

With the shift in burden to other real estate, the proportion of assessed valuation borne by personal property and state-assessed property obviously declines. Under reappraisal without classification, personal property would carry about 38 percent of its current share, declining from 33.2 percent of the total to less than 13 percent. State assessed property would decline by a similar magnitude from 18.9 percent of the total to 7.2 percent. Under HCR 5009, personal property would still decline in its proportion of assessed valuation due to the phase-out of merchants inventories and livestock and the revision of assessments for business machinery and equipment to original cost less 10-year straight line depreciation and a 15 percent assessment ratio. The declines are, however, less substantial than under straight reappraisal, with personal property constituting just over one-quarter of total assessed value as contrasted to one-third at the current time.

The obvious question then becomes what does this mean in money terms. While it is not possible to calculate a precise impact, I think a proxy can be developed as shown in Table II. In the table, actual 1982 taxes levied by property class were used to develop a statewide average tax rate or mill levy for each class of property. This levy was then applied to the estimated assessed valuations under reappraisal without classification and HCR 5009. The resultant taxes were then adjusted proportionally to generate the same total tax levy of \$1,049.9 million as in 1982. While necessarily imperfect, the methodology clearly denotes the direction of any shift and gives an order of magnitude that is helpful, in my mind, for purposes of debate.

As shown, taxes levied against real estate would increase, under this methodology, by over \$300 million (59.1 percent) from \$551.2 million to \$877.2 million under reappraisal without classification. Rural real estate alone would double from \$174.3 to \$348.1 million. It is estimated that roughly \$200 million of the shift to real estate would fall on agricultural land owners and residential homeowners. Conversely, the tax burden on personal property and state assessed property declines substantially--with personal property being only one-third of its prior level and state-assessed property at less than one-half its current level -- under reappraisal with no classification.

Under HCR 5009, the shift is ameliorated significantly. Real estate taxes would increase by approximately 19 percent to \$655.8 million and personal property would decline by roughly 36 percent to \$221.0 million. The Committee should remember, however, that some of the reduced personal property burden would be assumed by commercial and industrial real estate which carry a 15 percent



assessment ratio under HCR 5009. In addition, the 6.0 percent assessment ratio on residential real estate will cause some reduction in residential taxes to be assumed by other types of urban property.

Two other points should be kept in mind as the Committee considers classification amendments.

First, Kansans already bear a high property tax burden when compared to other states. In FY 1982, property taxes accounted for 42.7 percent of all state and local government own source revenues in Kansas as compared to 30.8 percent nationally. On a per capita basis, Kansas property taxes totalled \$475 compared to \$362 per capita nationally. Property taxes also constitute a greater proportion of total revenues in Kansas than is true of all surrounding states except Nebraska. Finally, when one looks at the concept of tax capacity and tax effort in Kansas, property taxes are the only area where our effort exceeds our capacity. Of the surrounding states, only Nebraska and Iowa are in a similar situation.

Second, the Committee should remain mindful that there are serious inequities within classes of property under the current appraisal system. In 1983, the coefficient of deviation for urban properties exceeded 40 percent in 76 counties, and for rural properties it exceeded 40 percent in 72 counties. That is to say that in those counties, individual sales to assessment ratios, on the average, deviated from the median ratio by more than 40 percent. These deficiencies will be corrected as property is reappraised, but it will create tax shifts among taxpayers within a class of property. To compound this correction by reappraising without a classification amendment to limit shifts among classes of property would, in my mind, be a serious error.

In short, I urge the Committee to consider favorably a classification amendment. To fail to do so is to fail to recognize realities which have developed over the last 40 years, to create a massive shift in tax burden, and to make our overall tax structure more regressive.

For the Committee's information, I have attached Tables III and IV which present data identical to that in Tables I and II for HCR 5009 as amended by the House Committee on Assessment and Taxation and HCR 5083 also considered by the House Committee.

HTD:b/2/S411

Department of Revenue  
March 26, 1984

TABLE I  
PROPORTION OF STATEWIDE ASSESSED VALUATION  
BY PROPERTY CLASS  
(Percent of Total)

	1983 CURRENT	REAPPRAISED AT 30%	HCR 5009 AS PASSED BY HOUSE
<u>Rural Real Estate</u>			
Agricultural	15.4	33.3	18.6
Other	<u>3.9</u>	<u>6.0</u>	<u>5.4</u>
Total - Rural	19.2	39.3	23.9
<u>Urban Real Estate</u>			
Residential	18.5	25.5	14.2
Multi-Family	1.8	2.2	1.2
Comm/Ind.	8.1	9.1	12.7
Vacant Lot	<u>0.4</u>	<u>3.8</u>	<u>2.9</u>
Total - Urban	<u>28.7</u>	<u>40.7</u>	<u>31.0</u>
Total - Real Estate	47.9	80.0	54.9
<u>Personal Property</u>			
Oil and Gas	17.5	6.7	18.7
Vehicles	0.3	0.1	0.4
Machinery and Equipment	5.5	2.2	2.0
Merch./Mfct. Inventory	5.6	2.2	2.7
Other Business	1.4	0.5	0.5
Miscellaneous	1.4	0.5	1.5
Livestock	1.5	0.6	-0-
Farm Machinery	-0-	-0-	-0-
Business Aircraft	<u>-0-</u>	<u>-0-</u>	<u>0.1</u>
Total - Personal Property	33.2	12.8	25.9
<u>State Assessed</u>			
Railroads	2.0	0.7	1.0
Other	<u>16.9</u>	<u>6.5</u>	<u>18.2</u>
Total - State Assessed	18.9	7.2	19.2
Total Dollars of Valuation	\$10.9 billion	\$28.4 billion	\$10.2 billion

Source: Legislative Research Department data.

Department of Revenue  
 March 26, 1984

TABLE II  
 REPRESENTATIVE TAX BURDENS BY PROPERTY CLASS  
 (\$ Millions)

	1982 ANNUAL	REAPPRAISED AT 30%	HCR 5009 AS PASSED BY HOUSE
<u>Real Estate</u>			
Rural	\$ 174.3	\$ 348.1	\$ 225.9
Urban	376.9	529.1	429.9
Total - Real Estate	<u>\$ 551.2</u>	<u>\$ 877.2</u>	<u>\$ 655.8</u>
<u>Personal Property</u>			
Rural	\$ 205.4	\$ 64.3	\$ 163.7
Urban	137.9	46.8	57.3
Total - Personal Property	<u>\$ 343.3</u>	<u>\$ 111.1</u>	<u>\$ 221.0</u>
<u>State Assessed</u>			
Rural	\$ 98.7	\$ 39.5	\$ 111.6
Urban	56.7	21.6	61.3
Total - State Assessed	<u>\$ 155.4</u>	<u>\$ 61.1</u>	<u>\$ 172.9</u>
Total	\$1,049.9	\$1,049.4	\$1,049.7

Source: Table constructed by applying statewide average 1982 tax rate for each class of property to assessed values under reappraisal and HCR 5009 as presented by Legislative Research Department. Total revenues adjusted proportionally to equal 1982 level.

HTD:c/1076/S428A

Department of Revenue  
March 26, 1984

TABLE III

PROPORTION OF STATEWIDE ASSESSED VALUATION  
BY PROPERTY CLASS  
(Percent of Total)

	<u>1983</u> <u>CURRENT</u>	<u>REAPPRAISED</u> <u>AT 30%</u>	<u>H. A&amp;T</u> <u>HCR</u> <u>5009</u>	<u>H. COW</u> <u>HCR</u> <u>5009</u>	<u>HCR</u> <u>5083</u>
<u>Rural Real Estate</u>					
Agricultural	15.4	33.3	17.7	18.6	16.5
Other	3.9	6.0	5.8	5.4	4.8
Total - Rural	<u>19.2</u>	<u>39.3</u>	<u>23.5</u>	<u>23.9</u>	<u>21.3</u>
<u>Urban Real Estate</u>					
Residential	18.5	25.5	18.2	14.2	16.9
Multi-Family	1.8	2.2	1.5	1.2	2.1
Comm/Ind.	8.1	9.1	12.2	12.7	9.0
Vacant Lot	0.4	3.8	2.7	2.9	1.6
Total - Urban	<u>28.7</u>	<u>40.7</u>	<u>34.6</u>	<u>31.0</u>	<u>29.6</u>
Total - Real Estate	47.9	80.0	58.1	54.9	50.9
<u>Personal Property</u>					
Oil and Gas	17.5	6.7	17.9	18.7	16.6
Vehicles	0.3	0.1	0.3	0.4	0.3
Machinery and Equipment	5.5	2.2	1.9	2.0	5.2
Merch./Mfct. Inventory	5.6	2.2	-0-	2.7	5.3
Other Business	1.4	0.5	0.4	0.5	1.2
Miscellaneous	1.4	0.5	1.4	1.5	1.3
Livestock	1.5	0.6	-0-	-0-	1.5
Farm Machinery	-0-	-0-	1.4	-0-	-0-
Business Aircraft	-0-	-0-	0.1	0.1	-0-
Total - Personal Property	<u>33.2</u>	<u>12.8</u>	<u>23.4</u>	<u>25.9</u>	<u>31.4</u>
<u>State Assessed</u>					
Railroads	2.0	0.7	1.0	1.0	1.4
Other	16.9	6.5	17.4	18.2	16.1
Total - State Assessed	<u>18.9</u>	<u>7.2</u>	<u>18.3</u>	<u>19.2</u>	<u>17.5</u>
Total Dollars of Valuation (Billions)	\$10.9	\$28.4	\$10.7	\$10.2	\$11.5

Source: Legislative Research Department data.

Department of Revenue  
 March 26, 1984

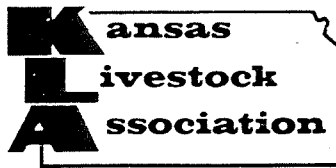
TABLE IV  
 REPRESENTATIVE TAX BURDENS BY PROPERTY CLASS  
 (\$ Millions)

	<u>1982</u> <u>ANNUAL</u>	<u>REAPPRAISED</u> <u>AT 30%</u>	<u>H. A&amp;T</u> <u>HCR</u> <u>5009</u>	<u>H. COW</u> <u>HCR</u> <u>5009</u>	<u>HCR</u> <u>5083</u>
<u>Real Estate</u>					
Rural	\$ 174.3	\$ 348.1	\$ 219.6	\$ 225.9	\$ 198.4
Urban	376.9	529.1	474.2	429.9	406.0
Total - Real Estate	\$ 551.2	\$ 877.2	\$ 693.8	\$ 655.8	\$ 604.4
<u>Personal Property</u>					
Rural	\$ 205.4	\$ 64.3	\$ 156.1	\$ 163.7	\$ 167.9
Urban	137.9	46.8	36.3	57.3	122.3
Total - Personal Property	\$ 343.3	\$ 111.1	\$ 192.4	\$ 221.0	\$ 290.2
<u>State Assessed</u>					
Rural	\$ 98.7	\$ 39.5	\$ 105.6	\$ 111.6	\$ 100.7
Urban	56.7	21.6	58.1	61.3	55.0
Total - State Assessed	\$ 155.4	\$ 61.1	\$ 163.7	\$ 172.9	\$ 155.7
Total	\$1,049.9	\$1,049.4	\$1,049.9	\$1,049.7	\$1,050.3

Source: Table constructed by applying statewide average 1982 tax rate for each class of property to assessed values under reappraisal and classification resolutions as presented by Legislative Research Department. Total revenues adjusted proportionally to equal 1982 level.

HTD:c/1076/S428





2044 Fillmore • Topeka, Kansas 66604 • Telephone: 913/232-9358  
Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

Statement of the  
KANSAS LIVESTOCK ASSOCIATION  
to the  
Senate Assessment & Taxation Committee  
Senator Bud Burke, Chairman  
with respect to  
HCR 5009  
presented by  
Mike Beam  
Executive Secretary  
Cow-Calf/Stocker Division

March 26, 1984

Mr. Chairman and members of the committee, I am Mike Beam representing the 9,000 members of the Kansas Livestock Association. Because KLA members have a lot at stake in regard to property taxes in this state, we have a sincere interest in HCR 5009. For several years KLA has been supportive of certain types of classification proposals because we prefer to adopt a specific solution to guard against an increase in agricultural property taxes in case of reappraisal and to constitutionally phase out taxation on livestock.

It has been mentioned by many tax experts that Kansas already has a de facto classification system. We currently classify different types of property by statute and practice in order to determine its value. If it's acceptable to classify the appraisal method which is the first factor of the property tax formula, why is it not just as acceptable to classify the assessment rate which is the second factor in the property tax formula?

There are several alternatives on how to resolve the effects of the tax shifts which result under reappraisal. Three alternatives are: 1) Appraise or value all property on the same basis. Perhaps we could find a common denominator such as a capitalized income stream on which to value all property; 2) Adopt use-value appraisal for agricultural land and a provision for home owners' protection such as an exemption, circuit breaker or similar alternative; 3) Adopt a classification system which puts into the constitution specific classes and rates such as HCR 5009.

KLA could support any of these alternatives. The first two alternatives have been around for several years but thus far have gained very little

*Mich. 3*  
*3/26/84*

acceptance. Therefore, we are resolved to work for an equitable classification amendment to the constitution.

Our association's criteria for an acceptable classification proposal are as follows:

- 1) Assessment rates on agricultural land valued by "use-value" and "fair market value" which approximate status quo for agricultural real property.
- 2) Personal property taxes on livestock should be constitutionally exempt or phased out.
- 3) Farm machinery personal property taxes should continue to be exempt.

Because this proposal contains these three criteria, we support HCR 5009.

In summary, classification may be the only politically practical way to resolve the current property tax problem. We believe the classification of assessment rates is really no different than classification for appraisal. From a taxpayer's point of view it's the bottom line that really counts. KLA doesn't pretend to have all the answers and we certainly don't want to suggest that we're experts but we support working towards a solution during the 1984 legislative session and we'll certainly attempt to cooperate with this committee in order to find one that is mutually acceptable.

Thank you.



Testimony on HCR 5009  
before the  
Senate Assessment and Taxation Committee  
by  
John W. Koepke, Executive Director  
Kansas Association of School Boards  
March 26, 1984

Mr. Chairman and members of the Committee, we want to express our appreciation for the opportunity to present the views of the school boards of Kansas on this topic of vital interest to the financing of public education. As you know, nearly half the cost of elementary and secondary education in Kansas is borne by local property taxes levied by the 306 unified school district boards of education. Any action which affects that property tax base has grave implications for public school financing.

With that in mind, our members have expressed deep concern over the property tax shifts which have been projected to occur between classes of property if re-appraisal of property in Kansas were to be imposed, either by a court order or through legislative action. We are also dismayed by the results of studies undertaken by the Property Valuation Department which show wide disparities in assessment within property classes in the same taxing jurisdiction. The disparities demonstrate the need for some remedial action.

As a result of their study of these factors, our members have reached the same conclusion as the 1981 Interim Committee which studied the subject. Our

Atch. 4  
3/26/84

Delegate Assembly has overwhelmingly adopted a policy statement endorsing the concept of a constitutional amendment which would provide for the classification of property in Kansas with assessment percentages for each class specified in the amendment. This would be designed to prevent annual legislative battles over which classes of property should be assessed at what level.

The Committee should also be aware that enactment of any such amendment needs to take into consideration the changes in district wealth in the school finance formula that would occur as a result of any classification amendment, so that adjustments can be made to allow for those shifts. We believe that the correlation between a classification amendment and the school finance formula has not received the attention it deserves to this point.

A classification amendment also offers the opportunity for the legislature to deal in a comprehensive manner with the proposed and existing tax exemptions such as livestock, farm machinery and merchants and manufacturers inventories and to resolve those issues in a conclusive fashion.

If Kansas schools are to continue to be supported in any major portion by the property tax, then the concerns which are mounting regarding that tax base must be addressed. We believe that the resolutions before you offer the best vehicle to begin addressing those concerns. We believe that they should be addressed by legislative action rather than court fiat. We thank you for the opportunity to address our concerns, and I will be happy to answer any questions.