

Approved On: 1-21-86

Minutes of the House Committee on Assessment and Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on January 15, 1986 in room 519 South at the Capitol of the State of Kansas.

All members of the Committee were present.

Committee staff present:

Tom Severn, Legislative Research
Melinda Hanson, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

Mr. Alden Shields, Director of the Budget, made a presentation of the Basic and Investment Budget for 1986 and 1987. He was then questioned by the Committee and Chairman Rolfs commended him for the report. (Attachment 1)

Mr. John Kemp, Secretary of Transportation, spoke about the Kansas Economic Development Program. (Attachment 2) He emphasized the need for a highway project which will enhance the state's economic development activities.

Mr. Jamie Schwartz, Secretary Kansas Department of Economic Development, spoke in support of HB-2687. (Attachment 3) He said that Kansas is not competitive with neighboring states and would not be able to be competitive without a significant source of new revenue in the near future. Chairman Rolfs questioned him about why firms locate where they do, how to provide people jobs so they will stay in Kansas, and how to make the state attractive to new business.

Mr. Harkins, representing the Kansas Water Office presented appropriation requests related to the State Water Plan. (Attachment 4) He also explained the need for more water control as it is necessary to compete with Colorado to get a fair share of the water supply.

Mr. Robert Clemons, Chairman State Board of Education, testified on behalf of the State Board of Education. (Attachment 5) He recommended that the Kansas State Legislature support an increase in state revenue from non-property sources such as sales or income taxes. He said that low teacher salaries are the major deterrent in attracting more students to the teaching profession.

Barbara Sabol, representing the Kansas Department of Health and Environment, outlined the costs of long-term care for the handicapped and elderly. She also stressed the importance of adequate prenatal care, as to up to eleven dollars can be saved for every dollar spent on prenatal care if all costs associated with caring for permanently disabled children whose mothers received inadequate prenatal care are included. (Attachment 6)

Harley T. Duncan, Secretary of Kansas Department of Revenue, appeared to discuss Governor Carlin's recommended sales tax increase. He compared the tax rate in Kansas with that of other states and also outlined the impact it would have on low-income families. (Attachment 6)

Mr. Ray Boyd, representing Building Supply Center of Holton, appeared in opposition to HB-2687. He said that a one-third increase in the sales tax is not acceptable. He said that rural Kansas depends upon agriculture for its well being and any form of tax increase without an increase in personal income would have an adverse effect upon individuals. (Attachment 7)

Mr. Craig Grant, representing Kansas-National Education

Association, spoke as a proponent for the one-cent sales tax increase. He said it is important now to invest in economic development for jobs in the future, clean water, good highways, and a quality education system. (Attachment 8)

Margaret Bearse, representing the League of Women Voters of Kansas, appeared as a proponent for the Governor's tax bill. She said the members of the League think there is a genuine need for increased revenue so that vital services and programs can be continued, especially for the most needy citizens. (Attachment 9)

Dr. Stanley Z. Koplik, Executive Director of Kansas Board of Regents, made a statement of need and made several suggestions to the Governor and to the Legislature which would help maintain a viable and responsive system of higher education institutions. (Attachment 10)

Mr. Grant Goodman, professor of History at the University of Kansas, expressed the strong support of his organization for increased tax revenue. He said it is essential to the health of the state and to the health of our colleges and universities that their resource base be enhanced. (Attachment 11)

Mr. David Litwin, representing Kansas Chamber of Commerce and Industry, stated that if there is a genuine need for a tax increase, KCCI endorses reliance on broad based taxes such as the sales tax. (Attachment 12)

Mr. Bill Curtis, Assistant Executive Director Kansas Association of School Boards, said that his organization approves an increase in the revenue sources as long as this was not from property tax, so they cautiously support a sales tax increase. (Attachment 13)

The Chairman then called for general discussion on HB-2687. Representative Spaniol moved, second by Representative Jarchow, that consideration of the bill be postponed until March 1, 1986. Representative Roe moved, second by Representative Aylward, that HB-2687 be reported without recommendation. Motion failed 7-10. Representative Spaniol changed his motion to a motion to table. The Chairman called for a vote and the motion to table HB-2686 prevailed.

There being no further business to come before the committee, the meeting was adjourned.



Ed C. Rolfs

Talking Points
House Committee on Assessment and Taxation
January 15, 1986

Alden K. Shields
Director of the Budget

1. Basic Budget

STATE GENERAL FUND
(Millions of Dollars)

| | <u>FY 1986</u> | <u>FY 1987</u> |
|---------------------------------|------------------|------------------|
| 1. <u>Basic Budget</u> | | |
| Beginning Balance | \$ 120.4 | \$ 52.1 |
| Receipts | 1,678.2 | 1,733.4 |
| Total Available | <u>\$1,798.6</u> | <u>\$1,785.5</u> |
| Less: Expenditures | <u>1,746.5</u> | <u>1,711.6</u> |
| Ending Balance | <u>\$ 52.1</u> | <u>\$ 73.9</u> |
| Expenditure Increase (Decrease) | \$ 112.0 | (\$ 34.9) |
| % Increase (Decrease) | 6.9 | (2.0) |

- Reduces spending by \$34.9 million or 2.0%
- No general salary increases for state employees, step movement only
- No increase in SDEA
- Transportation Aid at 90%
- Special Education Aid at 90%
- No funds for AVTS capital outlay aid
- Regents institution funding limited to a 2.0% increase for OOE only
- Transitional General Assistance (TGA) eliminated
- Meat and Poultry Inspection transferred to federal government
- 5.0% distribution of inheritance tax receipts to counties eliminated

- FY 1987 capital improvement program funded from alternate sources and in part reduced
- Spends down special revenue fund balances
- Transfers certain special revenue fund balances to the State General Fund
- Most of the expenditure reduction recommendations of the Legislative Budget Committee have been implemented either in whole or in part
- \$14.2 million in supplemental appropriations have been financed by \$13.2 million in reductions in other areas of the budget
- While increasing the ending balance from \$52.1 million in FY 1986 to \$73.9 million in FY 1987, temporary borrowing will likely be necessary

2. Investment Budget

| | | |
|---------------------------------|------------------|------------------|
| Beginning Balance | \$ 120.4 | \$ 52.1 |
| Receipts | 1,678.2 | 1,733.4 |
| One Cent Sales Tax Increase | -- | 190.7 |
| Total Available | <u>\$1,798.6</u> | <u>\$1,976.2</u> |
| Less: Expenditures | | |
| Basic Budget | 1,746.5 | 1,711.6 |
| Investment Budget ¹⁾ | -- | 144.6 |
| Subtotal | <u>\$1,746.5</u> | <u>\$1,856.2</u> |
| Ending Balance | <u>\$ 52.1</u> | <u>\$ 120.0</u> |
| Expenditure Increase | \$ 112.0 | \$ 109.7 |
| % Increase | 6.9 | 6.3 |

less than rate of increase in current year

1) Investment Budget:

| | |
|--|-----------------|
| Education | \$ 65.6 |
| Economic Development -- Highways | 30.0 |
| Compensation | 17.2 |
| Re-Appraisal | 8.0 |
| Capital Improvements | 7.4 |
| Water | 5.3 |
| Food Sales Tax Refund | 4.8 |
| Economic Development | 3.5 |
| State Aid to Local Units of Government | 1.5 |
| Children | 1.3 |
| | <u>\$ 144.6</u> |

@ 50%

*1.15 Expend
2.121 Cost
36 M*

- When combined with the basic budget, the investment budget increases FY 1987 spending by \$109.7 million (6.3%) over estimated spending in FY 1986 (a lesser rate of increase than that of FY 1986 compared to actual FY 1985)
- Increases the ending FY 1987 balance to \$120.0 million

KANSAS DEPARTMENT OF TRANSPORTATION

STATE OFFICE BUILDING—TOPEKA, KANSAS 66612-1568



JOHN B. KEMP, Secretary of Transportation

JOHN CARLIN, Governor

MEMORANDUM TO: The House Assessment and Taxation Committee

FROM: John B. Kemp, P.E.
Secretary of Transportation

REGARDING: Kansas Economic Development Highway Program

DATE: January 15, 1986

Mr. Chairman and members of the Committee:

It is a pleasure to be here today and to have a chance to talk about one of my favorite subjects, the Kansas Economic Development Highway Program. Because our time is short I will just give you some brief background information and a short description of the program.

As Secretary of Transportation, I visit with community leaders all across this state and over and over again what I hear from these community leaders is their need for a highway project which will enhance their economic development activities. In some cases, the requests are for a bypass, in others for an interchange, and in still others for a four-lane facility. In each case though, the news that I have to deliver to these communities is bad. Our highway program is one which is based on preservation and modernization of the existing system and our funds are not sufficient to do more than that. The new construction requests could not even be seriously considered by the Department. Yet the message was clear, our communities need new construction.

As a consequence of this recognition, the Governor agreed to establish a cabinet subcommittee comprised of the Secretaries of Economic Development and Revenue and chaired by me. Our recommendation to the Governor, which he adopted, was to establish the Kansas Economic Development Highway Program which will assist local communities in pursuing highway construction for the purpose of enhancing and supporting the economic development of those communities through interest-free loans from the state.

One of the real pluses of the program is that it requires a locally directed effort but with a state incentive. This program is truly a local/state partnership.

Let me give some examples of a few of the projects which could be built under such a program.

In the Johnson County area there is the 119th Street Interchange, the I-35 and College Boulevard Interchange and in Olathe the K-7/US-56 Interchange. In the Kingman/Pratt area they would like to four-lane Highway 54. Just last Thursday I was in Manhattan where they requested the upgrading of K-113 to a 4-lane undivided highway. The City of Liberal very much wants a bypass as does Dodge City. The City of Salina has requested an interchange at I-35 and Magnolia. The City of Topeka has two projects that it is very much interested in. One is the US-75 bypass around the city and the other is to add ramps for additional movements to the I-470/I-70 Interchange. In Douglas County,

the City of Lawrence is very interested in a bypass. In Southeastern Kansas, there is a great deal of interest in improved highway access. Under this proposal, by forming a port authority, such a project may be possible. Wichita has two projects that it is very interested in, the Northeast Circumferential and Kellogg Boulevard. With the passage of the 1/2 cent sales tax, the City of Wichita has the resources to build the projects but estimates that it will take 20 years to afford them. The question which must be asked is, what economic development opportunities will be lost that could have been captured if the projects were built in a more timely fashion.

This is a short list of the projects of which the Department has been made aware. All in all, we estimate that there are some \$700 million of projects across the state and that is probably a conservative estimate.

The Governor's proposal allows for an initial investment of \$30 million in FY 1987 with subsequent investments each year. The combination of the annual investments plus repayment of the loans will create a revolving fund. The initial investment will allow the state to obligate almost \$125 million in highway projects the first year.

There is no question but that without the new revenues which a sales tax could provide that the state will not be able to assist our local communities with the construction of these projects.

TESTIMONY BEFORE THE
HOUSE ASSESSMENT AND TAXATION COMMITTEE

JANUARY 15, 1986

CHARLES J. SCHWARTZ, SECRETARY

KANSAS DEPARTMENT OF ECONOMIC DEVELOPMENT

KANSAS DEPARTMENT OF ECONOMIC DEVELOPMENT

503 Kansas Avenue, Sixth Floor, Topeka, Kansas 66603

Phone (913) 296-3481



JOHN CARLIN
Governor

CHARLES J. "Jamie" SCHWARTZ
Secretary

Mr. Chairman and Members of the Committee,

I appreciate the opportunity to appear before you in support of HB 2687. I don't think that I have appeared in favor of any tax increase in any form before.

I don't intend to make frequent appearances before you. However this situation is so important and this bill represents the best possible solution to the challenge facing us that I am willingly here to advocate it's passage.

We are not mounting as a state, a sufficiently competitive economic development effort. We are not competitive with our neighboring states. We are not making enough of an impression in those markets worldwide in which it is imperative that we be represented. We are not going to be able to be competitive without a significant source of new revenue in the near future. We cannot wait for the good times to come back, they won't without help. We are spending less than 1/10 of 1% of the state budget on direct economic development programs, it's not enough.

If we are to enhance our efforts, we must be careful to not adopt a tax source that has the opposite effect of what we are trying to do. We cannot make ourselves uncompetitive at the same time we are attempting to improve our competitive posture. The sales tax is the broad based revenue source, which can provide sufficient new funds and yet not signal an anti-business attitude. We are already non-competitive in both the rate and application of our corporate income tax structure.

There now exists a climate within the state that is supportive of initiatives in economic development. The climate and the opportunity will not be around for long. We must make a decision soon, probably this year, in which direction we would have Kansas go. The decision is important, as important as any you will make during your terms in the Legislature. Please make a committment to a growing and prosperous Kansas. I urge your support for HB 2687.

Table of Rates

State tax rates generally applicable to the retail sale of tangible personal property are tabulated below. Many states also authorize local jurisdictions to adopt sales or sales and use taxes in addition to the state tax. For details see the following state summaries.

| | Sales * | Use * | | Sales * | Use * |
|-------------------------|-------------------|-------------------|-----------------------------|---------------------------------|---------------------------------|
| Alabama ¹ | 4% | 4% | Missouri ¹ | 4 $\frac{1}{8}$ % ² | 4 $\frac{1}{8}$ % ² |
| Arizona ¹ | 5% | 5% | Nebraska ¹ | 3 $\frac{1}{2}$ % ³ | 3 $\frac{1}{2}$ % ³ |
| Arkansas ¹ | 4% | 4% | Nevada ¹ | 5 $\frac{3}{4}$ % ² | 5 $\frac{3}{4}$ % ² |
| California ¹ | 4 $\frac{3}{4}$ % | 4 $\frac{3}{4}$ % | New Jersey | 6% | 6% |
| Colorado ¹ | 3% | 3% | New Mexico ¹ | 3 $\frac{3}{4}$ % | 3 $\frac{3}{4}$ % |
| Connecticut | 7 $\frac{1}{2}$ % | 7 $\frac{1}{2}$ % | New York ¹ | 4% | 4% |
| District of Columbia | 6% | 6% | North Carolina ¹ | 3% | 3% |
| Florida ¹ | 5% | 5% | North Dakota | 4% ⁴ | 4% ⁴ |
| Georgia ¹ | 3% | 3% | Ohio ¹ | 5% | 5% |
| Hawaii | 4% | 4% | Oklahoma ¹ | 3 $\frac{1}{4}$ % | 3 $\frac{1}{4}$ % |
| Idaho | 4% | 4% | Pennsylvania ¹ | 6% | 6% |
| Illinois ¹ | 5% | 5% | Rhode Island | 6% | 6% |
| Indiana | 5% | 5% | South Carolina | 5% | 5% |
| Iowa | 4% | 4% | South Dakota ¹ | 4% | 4% |
| Kansas ¹ | 3% | 3% | Tennessee ¹ | 5 $\frac{1}{2}$ % | 5 $\frac{1}{2}$ % |
| Kentucky ¹ | 5% | 5% | Texas ¹ | 4 $\frac{1}{8}$ % | 4 $\frac{1}{8}$ % |
| Louisiana ¹ | 4% | 4% | Utah ¹ | 4 $\frac{5}{8}$ % ¹¹ | 4 $\frac{5}{8}$ % ¹¹ |
| Maine | 5% | 5% | Vermont | 4% ⁵ | 4% ⁵ |
| Maryland | 5% | 5% | Virginia ¹ | 3% | 3% |
| Massachusetts | 5% | 5% | Washington ¹ | 6.5% | 6.5% |
| Michigan | 4% | 4% | West Virginia | 5% | 5% |
| Minnesota ¹ | 6% | 6% | Wisconsin ¹ | 5% | 5% |
| Mississippi | 6% | 6% | Wyoming ¹ | 3% | 3% |

[The next page is 6025.]

¹ The following states do not impose a state sales and use tax: Alaska, Delaware, Montana, New Hampshire, and Oregon.

Delaware imposes a merchants' and manufacturers' license tax and a use tax on leases. Other states impose occupation, license or gross receipts taxes in addition to sales and use taxes (see Connecticut, Indiana, Maryland, Mississippi, New Mexico, Rhode Island, South Carolina, Texas, Washington and West Virginia).

² Local tax rates are additional.

³ Nevada: Tax rate is a composite of a 2% state rate plus a 3 $\frac{3}{4}$ % state mandated county rate.

⁴ Missouri: Rate increased to 4.225% from July 1, 1985, through June 30, 1990.

⁵ Nebraska: Effective January 1, 1987, an additional 1% tax is levied.

⁶ North Dakota: The tax rate could go to 5% from July 1, 1986, through March 31, 1987, if there is a revenue shortfall.

⁷ Vermont: The tax rate is decreased to 3% on July 1, 1987.

¹¹ Utah: Rate drops to 4 38/64% on July 1, 1986, and to 4 $\frac{1}{2}$ % on January 1, 1990.

KANSAS DEPARTMENT OF ECONOMIC DEVELOPMENT

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JOHN CARLIN
Governor

CHARLES J. "Jamie" SCHWARTZ
Secretary

M E M O R A N D U M

TO: Charles J. Schwartz

FROM: Roger Christianson 

DATE: January 10, 1986

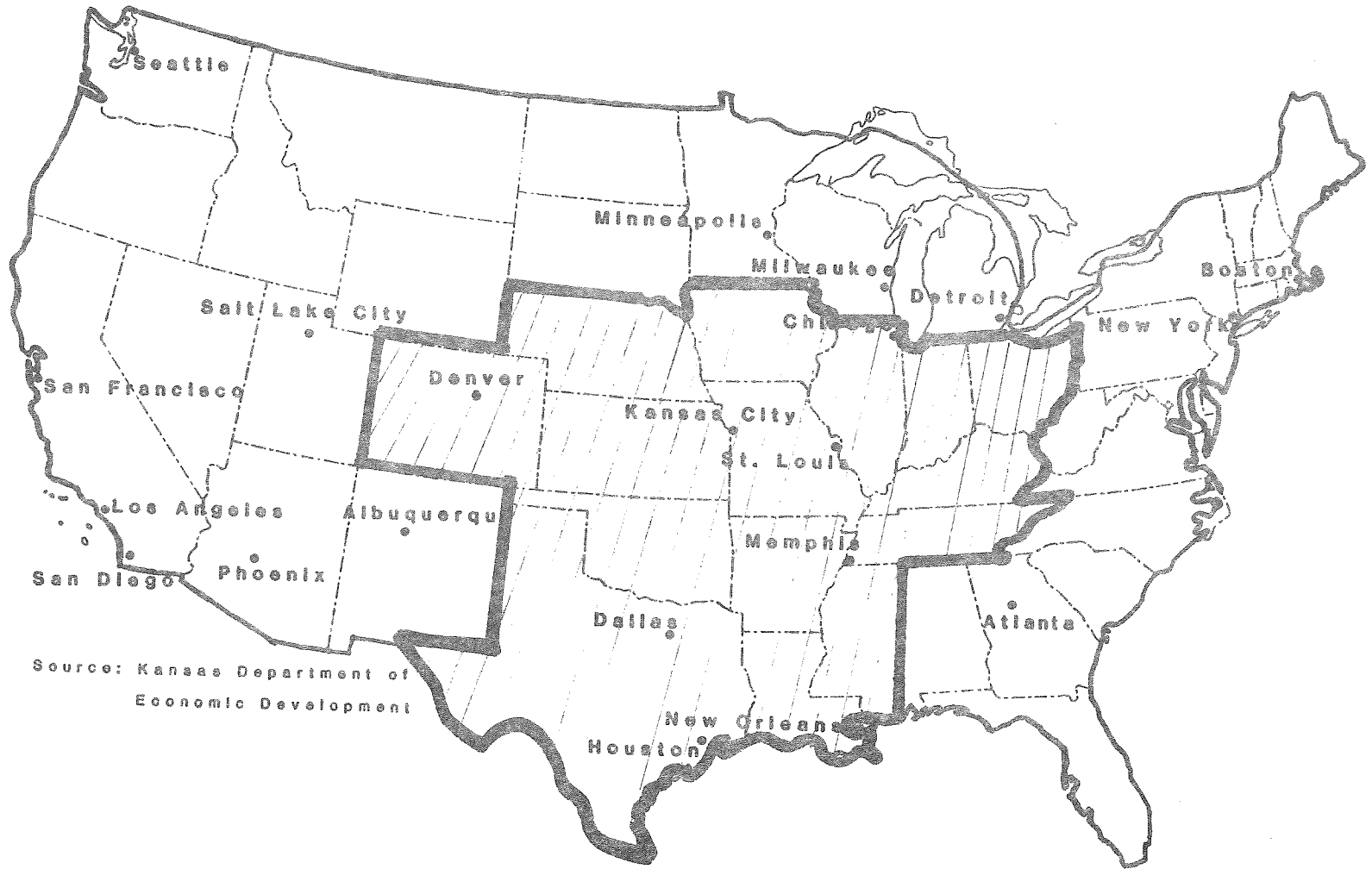
There has been a great deal of statewide and national publicity recently about the increasing competition in the field of industrial development and increasing efforts of the states to attract new business.

The Industrial Development Division of KDED conducted a telephone survey in November and December of 1985 to determine the extent of industrial development efforts at the state level. Information was collected on staffing, advertising, travel, state funded industrial training programs and international development efforts.

Attached is a summary version of the information collected on fifteen central states which Kansas regularly competes with for new manufacturing facility locations. For more detail on the forty-eight contiguous states, methodology and sources of the survey contact Roger Christianson or Ed Riemann.

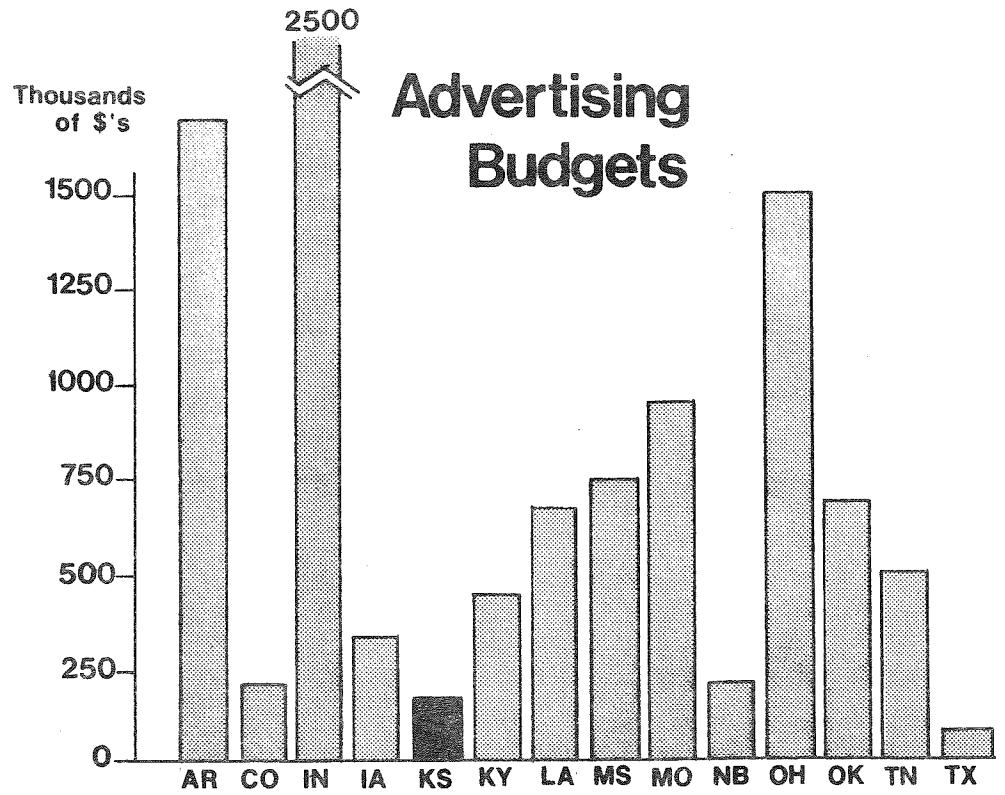
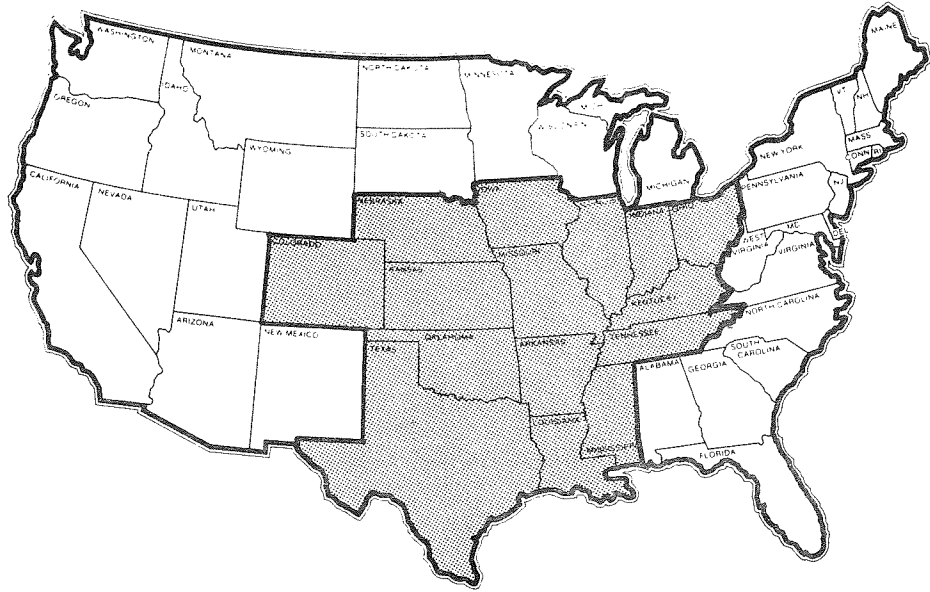
Attachment

SELECTED STATES FOR COMPARISON



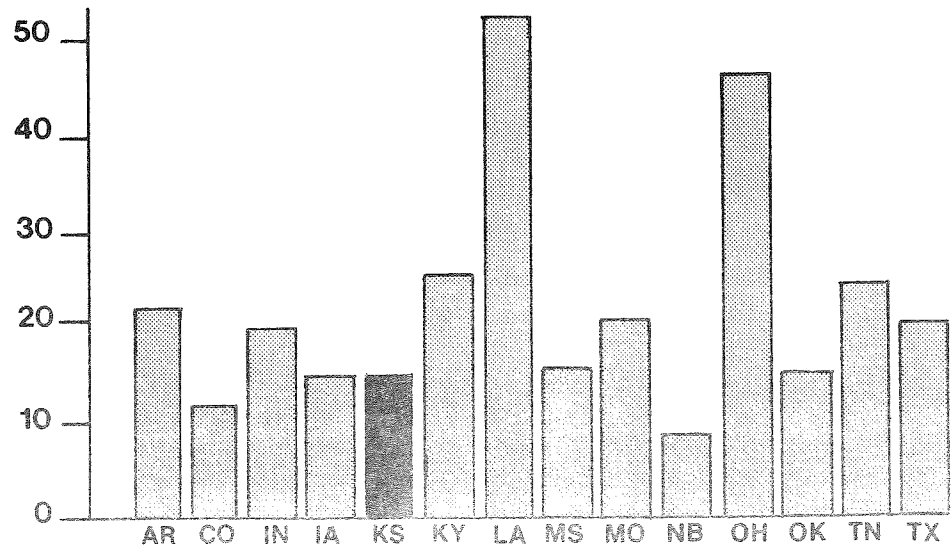
Source: Kansas Department of
Economic Development

Industrial Development Budgets Selected States



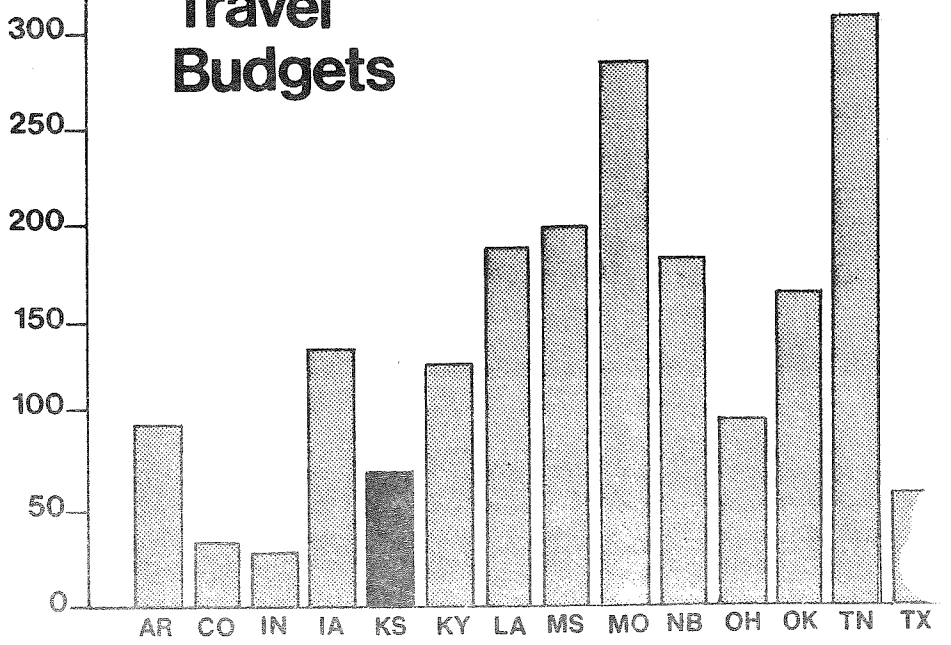
I.D. Staff

People



Travel Budgets

Thousands of \$'s



INDUSTRIAL DEVELOPMENT BUDGETS FY 86
COMPARISON FOR SELECTED STATES

| STATE | I.D. STAFF | | | ADVERTISING | | | TRAVEL | | | FOREIGN OFFICES: | | |
|---------------|-------------|----------|-----------|-----------------------|---------|----------------|----------------|---------------|---------------|------------------|-------------------|---------------|
| | DOM. | INT | TOTAL | DOM. | INT | TOTAL | DOM. | INT | TOTAL | NO. | LOCATION | BUDGET |
| Arkansas | 10 | 11 | 21 | --joint fund-- | | 1,700,000 | 80,000 | 15,000 | 95,000 | -- | -- | -- |
| Colorado | 8.5 | 4 | 12.5 | --joint fund-- | | 200,000 | --joint fund-- | | 35,000 | -- | -- | -- |
| Illinois | No Response | | | | | | | | | | | |
| Indiana | 11 | 8 | 19 | --joint fund-- | | 2,500,000 | 10,000 | 14,000 | 24,000 | -- | -- | -- |
| Iowa | 9 | 5 | 14 | 232,000 | 60,500 | 292,500 | 83,000 | 48,000 | 131,000 | 2 | Asia | 173,000 |
| | | | | | | | | | | | Europe | 125,000 |
| KANSAS | 10 | 4 | 14 | --Joint Fund-- | | 150,000 | 38,473 | 30,149 | 68,622 | 1 | Japan | 45,000 |
| | | | | | | | | | | | (contract) | |
| Kentucky | 21 | 4 | 25 | --joint fund-- | | 470,000 | *100,000 | *25,000 | *125,000 | 1 | Japan | 260,000 |
| | | | | | | | | | | | (contract) | |
| Louisiana | 49 | 3 | 52 | 636,000 | 25,000 | 661,000 | 161,588 | 29,734 | 191,322 | -- | -- | -- |
| Mississippi | 12 | 3 | 15 | --joint fund-- | | 750,000 | --joint fund-- | | 200,000 | -- | -- | -- |
| Missouri | 12 | 8 | 20 | 889,146 | 80,000 | 969,000 | 210,617 | 75,000 | 285,617 | 2 | Dusseldorf | 224,380 |
| | | | | | | | | | | | (contract) | |
| | | | | | | | | | | | Japan (contract) | 326,198 |
| Nebraska | 7 | - | 7 | --joint fund-- | | 165,000 | --joint fund-- | | 172,289 | -- | -- | -- |
| Ohio | 13 | 33 | 46 | 1,400,000 | 100,000 | 1,500,000 | 21,000 | 78,676 | 99,676 | -- | Brussels | 322,353 |
| | | | | | | | | | | | (contract) | |
| | | | | | | | | | | | Japan (contract) | 319,623 |
| | | | | | | | | | | | Africa (contract) | 452,985 |
| Oklahoma | 8 | 6 | 14 | 535,068 | 153,000 | 688,068 | 110,000 | 50,000 | 160,000 | 1 | Far East | 180,000 |
| Tennessee | 13 | 10 | 23 | --joint fund-- | | 500,000 | 150,000 | 167,000 | 317,000 | -- | -- | -- |
| Texas | 14 | 5 | 19 | --joint fund-- | | 50,000 | 36,000 | 17,000 | 53,000 | -- | -- | -- |
| Average | | | 20.1 | | | \$756,826 | | | \$130,501 | | | \$264,838 |

per office (exc. KS)

Abbreviations:

I.D. = Industrial Development, Dom. = Domestic Activities, Int. = International Activities

*Footnotes: Kentucky only breaks out the per diem travel \$, other expenses such as car mileage expenses, airline fares, airplane rental expenses, etc. come from a central agency fund and so are in addition to the amount shown.

Source: "Development Budgets -- FY 86", Kansas Department of Economic Development, Telephone Survey of 48 State Development Agencies, conducted between Nov. 18 - Dec. 16, 1985. Oklahoma data verified and corrected: 1/10/86.

TESTIMONY BEFORE THE HOUSE ASSESSMENT

AND TAXATION COMMITTEE

by

THE KANSAS WATER OFFICE

Regarding

THE GOVERNOR'S INVESTMENT BUDGET

on

January 15, 1985

During the 1985 Session, the Legislature reviewed the Kansas State Water Plan. At the conclusion of that review House Concurrent Resolution No. 5010 was passed which stated, in part:

"Be it further resolved: That the Legislature requests that the state agencies which are authorized to manage the waters of the state submit to the Legislature any bills, resolutions or requests for appropriations designed to implement the various segments of the State Water Plan as submitted by the Kansas Water Authority;"

This summer, Governor Carlin directed all water-related agencies to prepare legislative and appropriation requests related to the State Water Plan for his review. He then, has selected the major components of the plan for inclusion in his investment budget. These new and expanded programs are:

State General Fund

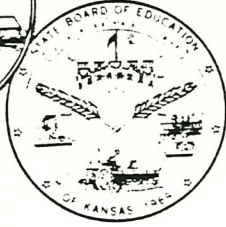
1. Water Assurance Program.....\$2,887,724
(Water Office \$2,852,724)
(Division of Water Resources \$35,000)
2. Water Research.....\$ 150,000
(Stream/Aquifer Interaction \$100,000)
(Chemigation \$50,000)
3. Minimum Desirable Streamflow Standards.....\$ 132,000
(Gauging Stations \$43,000)
(Division of Water Resources Personnel \$75,000)
(Division of Environment \$14,000)
4. Basin Advisory Committee Support.....\$ 25,000

| | | |
|----|--|-------------|
| 5. | Implementation of the Conservation Section Section of the State Water Plan.....\$ | 145,000 |
| | (Kansas State University Extension \$40,000) | |
| | (Division of Water Resources \$105,000) | |
| 6. | Water Conservation Programs.....\$ | 1,185,000 |
| | (High Priority Cost-Share \$550,000) | |
| | (Watershed Dam Construction \$250,000) | |
| | (Conservation Coordinator \$35,000) | |
| | (Small Lakes \$350,000) | |
| 7. | Water Data Base.....\$ | 61,000 |
| | (Division of Environment \$26,000) | |
| | (Division of Water Resources \$35,000) | |
| 8. | Hazardous Waste - Volatile Organic Clean-Up.....\$ | 700,000 |
| | | \$5,285,724 |

Kansas State Department of Education

Kansas State Education Building

120 East 10th Street Topeka, Kansas 66612



January 15, 1986

TO: House Assessment and Taxation Committee

FROM: Robert Clemons, Chairman
State Board of Education

SUBJECT: 1986 House Bill 2687

I appreciate the opportunity to appear before you on behalf of the State Board of Education. My name is Robert Clemons, Chairman of the State Board. The Board has adopted the following position statement concerning new state revenues.

"The State Board of Education recommends that the Kansas State Legislature support an increase in state revenues from nonproperty tax sources. We believe that the Legislature should consider additional revenues such as sales tax, income tax, or other appropriate revenue sources to support education in Kansas."

Based on a recent survey conducted by Emporia State University, 66 percent of the participants supported an increase in the sales tax as a means of raising money for improvement of teacher salaries. Acknowledging this direction from Kansas, the State Board of Education believes it is essential that teacher salaries become more competitive with private industry.

Low teacher salaries are the major deterrent in attracting more students to the teaching profession. One of the important concerns of the State Board of Education is maintaining a high quality teaching staff in Kansas schools. A study conducted by Ernest Boyer, President of the Carnegie Foundation for the Advancement of Teaching, and former U. S. Secretary of Kansas, indicated that in the Fall of 1972, 20 percent of all freshmen entering college across the nation planned to go into the teaching field. In the Fall of 1982 only 4.7 percent of the nation's college freshmen planned to enter teaching. Similarly, in Kansas, according to a 1985 study done at Emporia State University, the number of students who completed teacher certification programs at the Kansas schools of education dropped from 4,445 in 1972 to 1,890 in 1985, a decline of 57.5 percent. The study predicts a teacher shortage in three to five years, especially in the areas of mathematics and science, unless teacher salaries are improved.

1-15-86 HS. A&T

Attachment 5

A

It is my personal opinion that, if the public were surveyed about raising the sales tax to eliminate the continued growth of the property tax for funding education, the increase would be supported by a majority of Kansans.

In addition, because there has been a considerable increase in the property tax during the last few years in our state, I feel the adoption of a sales tax would eliminate the need for continued growth in the property tax for the immediate future.

In summary, the State Board of Education supports a one-cent increase in the sales tax and encourages the Legislature to use a majority of the revenue produced from this increase for improvement of teacher salaries and reducing the property tax.

1-15-86

TESTIMONY

Barbara Jabot

An Investment in Healthy Mothers/Healthy Babies
Through the Prenatal Care Collaborative Project

The Governor's recommended budget for the Kansas Department of Health and Environment for FY 87 totals \$45,897,922 of which \$14,588,429 is financed from the State General Fund. The recommended budget can best be described as a "bare bones" budget that provides an increase of \$4,995,998 in all funds as well as a decrease of \$341,152 in State General Fund support from the current fiscal year. The FY 1987 budget basically maintains the status quo in most program areas; however, cutbacks in health programming are noted in the discontinued support of tuberculosis activities at both the state and local level, and the loss of the staff position responsible for the Department's hearing conservation activities. More specifically, the FY 1987 budget contains the following problem areas:

- The loss of the tuberculosis program by the elimination of \$145,000 in aid to the three largest health departments located in Sedgwick, Shawnee and Wyandotte counties for tuberculosis clinics; and approximately \$20,758 in state operations for tuberculosis at other sites throughout the state.
- The elimination of a hearing conservation specialist position and support costs totaling \$50,000 will eliminate a variety of hearing clinics that are conducted throughout the state.
- State formula grant funding for local health departments is again budgeted at \$854,506 which is the same level authorized for the current fiscal year. This level of funding does not provide for anticipated costs brought about through inflation.

As many of you already know, 1985 marks the 100th anniversary of public health in Kansas. The tradition of strong support for public health has produced significant benefits for virtually all Kansans. The activities of public health have eliminated many serious diseases and have made basic health care services available to all Kansans. As we embark on our second 100 years of existence it would be highly appropriate to go forward with a significant new initiative. Therefore, it is important that the sale taxes be approved so that support can be given to such important projects as the Prenatal Care Collaborative Project that is contained in the Governor's FY 87 budget. The Governor's investment budget contains a total of \$988,000 for the Prenatal Care Collaborative Project financed from the State General Fund. The basic components of this initiative includes \$923,000 in aid to local health departments to enhance prenatal health clinics, and \$65,000 to support two F.T.E. professional positions plus support expenditures for travel, communication, etc. to administer the collaborative project.

Simply stated, the goal of the Prenatal Care Collaborative Project is to improve the delivery of comprehensive prenatal care to high risk women in Kansas. It is known that at least 6,000 women in Kansas did not receive adequate prenatal care in 1984. Further, it is known that prenatal care is cost effective in reducing the chance of low birth weight babies among high risk women including the poor, the young and minority women. The smaller the infant at birth, the higher the probability that the infant will need neonatal intensive care which is very costly and may need expensive long term care and support.

Cost of Long-Term Care for the Handicapped

| Type of Care | Moderately Handicapped | | Severely Handicapped | |
|---|---------------------------|--------------------|---------------------------|--------------------|
| | Annual Costs/ Survivor | 1982 Present Value | Annual Costs/ Survivor | 1982 Present Value |
| Early intervention (age 0-3 yr) | \$ 1,800 | \$ 4,902 | \$ 1,800 | \$ 4,092 |
| Transitional (age 3-5 yr) | \$12,000 | \$19,275 | ... | ... |
| Meeting Street School (age 3-21 yr) | ... | ... | \$12,000 | \$121,175 |
| Group home residence (age 21 yr to death) | ... | ... | \$10,000 | \$ 66,193 |
| Present value of total lifetime costs | ... | \$24,177 | ... | \$192,270 |

Hospitalization Cost for Study Infants

| Birth Weight (g) | Hospitalization Charges | | Hospital Charge (/d) | | Hospitalization Cost-Survivor |
|------------------|-------------------------|------------------|----------------------|--------------|-------------------------------|
| | Survivors | Nonsurvivors | Survivors | Nonsurvivors | |
| 500-599 | ... | \$5,445 + 8,188* | ... | \$799 + 226 | ... |
| 600-699 | \$44,800 | \$3,069 + 2,977 | \$358 | \$969 + 355 | \$167,324 |
| 700-799 | \$41,822 + 15,928 | \$4,841 + 4,364 | \$463 + 220 | \$886 + 272 | \$ 61,792 |
| 800-899 | \$32,123 + 14,068 | \$7,591 + 15,011 | \$418 + 275 | \$856 + 315 | \$ 41,797 |
| 900-999 | \$27,484 + 13,708 | \$4,313 + 5,883 | \$339 + 112 | \$983 + 380 | \$ 31,835 |

*Values are means ± SD.

Cost Components for Study Infants

| Birth Weight (g) | Hospital Cost/ Survivor | Physician Cost/ Survivor | Long-Term Care Cost/Survivor | Total Cost/ Survivor |
|------------------|----------------------------|-----------------------------|---------------------------------|-------------------------|
| 500-599 | ... | ... | ... | ... |
| 600-699 | \$167,324 | \$3,398 | \$192,270 | \$ 362,992 |
| 700-799 | \$ 61,792 | \$1,287 | \$ 53,142 | \$ 116,221 |
| 800-899 | \$ 41,797 | \$1,171 | \$ 58,388 | \$ 101,356 |
| 900-999 | \$ 31,835 | \$1,024 | \$ 7,788 | \$ 40,647 |

("Cost-Benefit Analysis of Neonatal Intensive Care for Infants Weighing Less Than 1,000 Grams at Birth," Donna-Jean B. Walker, M.D.; Allan Feldman, Ph.D.; Betty R. Bohr, M.D.; William Oh, M.D.; Pediatrics, Vol. 74, No. 1, July, 1984)

The services to be provided under the Prenatal Care Collaborative Project include prenatal and post-partum assessments, counseling, intervention and follow-up, prenatal vitamins, laboratory and other diagnostic tests, prenatal home visits, prenatal and perinatal education, as well as direct access to family planning, WIC, child health clinics and the Healthy Start-Lay Visitor program. Prenatal care that begins early with medical, nutritional and other supportive services has been shown to reduce the incidence of low birth weight by approximately 20 percent.

Finally, it should be noted that the cost-benefit ratio for the proposed Prenatal Care Collaborative Care project is very favorable. Please consider the following points:

- Four every one dollar spent on comprehensive prenatal care, we can save two dollars in the first year of an infant's life alone because of the reduced need for intensive and increasingly expensive hospital care.
- Up to eleven dollars can be saved for every one dollar spent on prenatal care if all costs associated with caring for permanently disabled children whose mothers received inadequate prenatal care are included. Note: The average cost per patient day at our state MR institutions now exceeds \$100.
- Comprehensive prenatal care is cost effective in reducing the chance of low birth weight babies among high risk women. Investing in care for these women will yield savings in both dollars, lives and human suffering. This is an investment with far reaching positive consequences for families and for Kansas. We cannot afford to miss this investment opportunity.

Testimony presented by Harley Duncan, Secretary of Kansas Department of Revenue, to the House Assessment and Taxation committee on January 15, 1986, has been misplaced but identical testimony on Senate Bill 536 can be located in the 1986 Senate Assessment and Taxation Committee minutes for February 17, 1986.



BUILDING SUPPLY CENTER

401 Michigan

HOLTON, KS 66436

(913) 364-4104

P.O. Box 1006

January 15, 1986

Mr. Chairman and members of the committee:

I am Ray Boyd representing Building Supply Center of Holton.

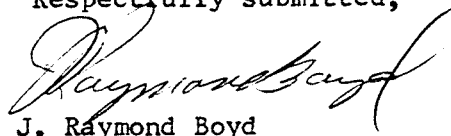
I am present this morning to express opposition to House Bill No. 2687. I understand that this is a committee bill set forth by a request from the Governor to increase the state sales tax by 1%. It is common knowledge that there is much economic distress all over our state. Rural Kansas depends greatly upon agriculture for its own well being and any form of tax increase without an increase in personal income could have an adverse effect upon individuals. The prospect for increased income is not in the near future.

An increase of 1% is not as small as it looks. It seems that every effort has been made is describing this increase without noting the fact that it amounts to a one third increase in the tax. This is not acceptable in any form because it shows that many in the state are not willing to shoulder their portion of the burden. Call it, "investing in the future," or by any other name, we cannot ignore the present and its necessities which are getting out of the reach of many.

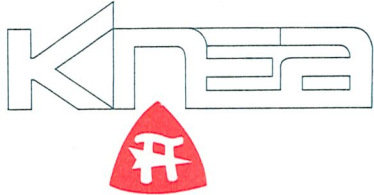
Three years ago accelerated tax payments was used to get the state over the hump. The following year a tax increase was necessary to cover the the shortfall

in revenue created by the accelerated tax payments. Last year an increase of legislative and administrative pay was attached to a state employee pay increase. The taxpayer had to cover that. Also last year this committee was asked for relief from the unfairness of the inventory tax, but in the end nothing came from it. The same people who asked for relief are in a worse state of affairs this year. All of this leads me to ask a pertinent question. When is the governing body of this state going to act like it cares about the condition of the agriculture related business community?

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "J. Raymond Boyd".

J. Raymond Boyd



Craig Grant Testimony Before The
House Assessment & Taxation Committee
January 15, 1986

Thank you, Mr. Chairman. Members of the Committee, my name is Craig Grant and I represent Kansas-NEA. I appreciate the opportunity to speak to you on the proposed one-cent sales tax increase.

Kansas-NEA believes that in order for Kansas to move ahead into the 1990's we must start investing in our state now--investing in economic development for jobs in the future, investing in clean water and good highways, and, as important as any of the above, investing in the education system in our state to keep the quality programs now in place. We believe that if we fail to invest now that it will cost that much more later to bring our state into favorable competition with other states.

Kansas-NEA believes that education must be a strong plank in any economic development platform. In Kansas we have two sources from which those investment dollars will come--either from the local property tax or from state sources. Kansas-NEA has long worked to relieve the property tax burden and hopes to reach a point when the state share of education approaches 50%. Table 1 indicates that we provide about 45% state support of schools which ranks us 28th among the states. We believe that state revenue is a better source as each \$1 of state money relieves the property tax by \$1.40.

Page two

Since we then believe that the state should make these investments, we are in support of a sales tax increase as a solid revenue enhancing measure which can generate adequate revenue for a true investment budget. It appears from every poll I have seen taken that the voters of this state agree with us. In Table 2 I have included the statistic of sales tax rate and exemptions of all the states. Because of the significant drop in revenue and unpredictability, we do not propose food exemption on the sales tax. A more important table I believe is Table 3 enclosed which shows the amount of sales tax per \$1,000 per capita income of all the states. As you can see, Kansas ranks 35th out of the 45 states which levy a sales tax in this statistic.

Kansas-NEA believes that it is time to increase this state's investment in its future. We must increase our revenues to do this and feel that a one-cent sales tax is justified, and acceptable, to the citizens of Kansas. If we have the commitment to invest in our future, we can continue the excellence in education this state is known for across the nation.

Thank you, Mr. Chairman and Members of the Committee, for listening to the concerns of teachers.

| STATE | PERCENT OF STATE SUPPORT | RANK |
|-------------------------------------|-----------------------------------|------|
| ALABAMA | 72.4 | 5 |
| ALASKA | 73.4 | 4 |
| ARIZONA | 52.4 | 21 |
| ARKANSAS | 59.2 | 15 |
| CALIFORNIA | 67.1 | 8 |
| COLORADO | 40.2 | 36 |
| CONNECTICUT | 40.0 | 37 |
| DELAWARE | 69.4 | 6 |
| FLORIDA | 53.5 | 18 |
| GEORGIA | 50.3 | 24 |
| HAWAII | 90.8 | 1 |
| IDAHO | 64.4 | 9 |
| ILLINOIS | 37.6 | 41 |
| INDIANA | 53.4 | 19 |
| IOWA | 42.0 | 34 |
| KANSAS | 45.1 | 28 |
| KENTUCKY | 68.6 | 7 |
| LOUISIANA | 53.4 | 20 |
| MAINE | 51.0 | 23 |
| MARYLAND | 40.4 | 35 |
| MASSACHUSET | 42.5 | 33 |
| MICHIGAN | 33.9 | 44 |
| MINNESOTA | 51.9 | 22 |
| MISSISSIPPI | 56.7 | 16 |
| MISSOURI | 37.2 | 42 |
| MONTANA | 45.0 | 29 |
| NEBRASKA | 28.1 | 48 |
| NEVADA | 39.5 | 39 |
| NEW HAMPSHI | 8.0 | 50 |
| NEW JERSEY | 40.0 | 38 |
| NEW MEXICO | 77.4 | 2 |
| NEW YORK | 43.1 | 31 |
| NORTH CAROL | 61.5 | 12 |
| NORTH DAKOT | 59.5 | 14 |
| OHIO | 42.6 | 32 |
| OKLAHOMA | 61.4 | 13 |
| OREGON | 29.0 | 46 |
| PENNSYLVANI | 45.4 | 27 |
| RHODE ISLAN | 36.8 | 43 |
| SOUTH CAROL | 62.8 | 11 |
| SOUTH DAKOT | 26.9 | 49 |
| TENNESSEE | 49.9 | 25 |
| TEXAS | 45.6 | 26 |
| UTAH | 54.4 | 17 |
| VERMONT | 33.4 | 45 |
| VIRGINIA | 44.6 | 30 |
| WASHINGTON | 74.9 | 3 |
| WEST VIRGIN | 63.6 | 10 |
| WISCONSIN | 39.5 | 40 |
| WYOMING | 28.7 | 47 |
| US AVERAGE | 49.0 | |
| KANSAS-NEA NEGOTIATION AND RESEARCH | | |

| SALES TAX, AS OF 1-1-1984 | | | |
|---------------------------|----------------|---------------|----------------|
| STATE | SALES TAX RATE | FOOD EXEMPTED | DRUGS EXEMPTED |
| ALABAMA | 4 | | X |
| ALASKA | 0 | | |
| ARIZONA | 5 | X | X |
| ARKANSAS | 4 | | X |
| CALIFORNIA | 4.75 | X | X |
| COLORADO | 3.5 | X | X |
| CONNECTICUT | 7.5 | X | X |
| DELAWARE | 0 | | |
| FLORIDA | 5 | X | X |
| GEORGIA | 3 | | |
| HAWAII | 4 | | |
| IDAHO | 4.5 | | X |
| ILLINOIS | 5 | X | X |
| INDIANA | 5 | X | X |
| IOWA | 4 | X | X |
| KANSAS | 3 | | X |
| KENTUCKY | 5 | X | X |
| LOUISIANA | 3 | X | X |
| MAINE | 5 | X | X |
| MARYLAND | 5 | X | X |
| MASSACHUSETT | 5 | X | X |
| MICHIGAN | 4 | X | X |
| MINNESOTA | 6 | X | X |
| MISSISSIPPI | 6 | | X |
| MISSOURI | 4.125 | | X |
| MONTANA | 0 | | |
| NEBRASKA | 4 | X | X |
| NEVADA | 5.75 | X | X |
| NEW HAMPSHIR | 0 | | X |
| NEW JERSEY | 6 | X | X |
| NEW MEXICO | 3.75 | | |
| NEW YORK | 4 | X | X |
| NORTH CAROLI | 3 | | X |
| NORTH DAKOTA | 4 | X | X |
| OHIO | 5 | X | X |
| OKLAHOMA | 2 | | X |
| OREGON | 0 | | |
| PENNSYLVANIA | 6 | X | X |
| RHODE ISLAND | 6 | X | X |
| SOUTH CAROLI | 4 | | X |
| SOUTH DAKOTA | 4 | | X |
| TENNESSEE | 4.5 | | X |
| TEXAS | 4 | X | X |
| UTAH | 4.625 | | X |
| VERMONT | 4 | X | X |
| VIRGINIA | 3 | | X |
| WASHINGTON | 6.5 | X | X |
| WEST VIRGINI | 5 | X | X |
| WISCONSIN | 5 | X | X |
| WYOMING | 3 | | X |

| 1982-83 | | |
|-------------------------------------|--------------|------|
| STATE | | |
| SALES TAX | | |
| STATE | P/\$1000 PCI | RANK |
| ALABAMA | 18.03 | 31 |
| ALASKA | NA | |
| ARIZONA | 26.77 | 10 |
| ARKANSAS | 20.96 | 19 |
| CALIFORNI | 23.27 | 16 |
| COLORADO | 15.53 | 38 |
| CONNECTIC | 23.63 | 15 |
| DELAWARE | NA | |
| FLORIDA | 26.93 | 8 |
| GEORGIA | 19.72 | 23 |
| HAWAII | 48.49 | 1 |
| IDAHO | 17.50 | 32 |
| ILLINOIS | 16.80 | 34 |
| INDIANA | 26.53 | 11 |
| IOWA | 18.37 | 28 |
| KANSAS | 16.78 | 35 |
| KENTUCKY | 20.07 | 21 |
| LOUISIANA | 18.59 | 26 |
| MAINE | 23.96 | 14 |
| MARYLAND | 15.47 | 39 |
| MASSACHUS | 13.75 | 42 |
| MICHIGAN | 18.94 | 25 |
| MINNESOTA | 20.10 | 20 |
| MISSISSIP | 36.34 | 4 |
| MISSOURI | 18.06 | 30 |
| MONTANA | NA | |
| NEBRASKA | 19.91 | 22 |
| NEVADA | 33.20 | 6 |
| NEW HAMPS | NA | |
| NEW JERSE | 15.74 | 37 |
| NEW MEXIC | 35.56 | 5 |
| NEW YORK | 15.39 | 40 |
| NORTH CAR | 13.87 | 41 |
| NORTH DAK | 18.44 | 27 |
| OHIO | 16.63 | 36 |
| OKLAHOMA | 11.31 | 44 |
| OREGON | NA | |
| PENNSYLV | 17.37 | 33 |
| RHODE ISL | 19.05 | 24 |
| SOUTH CAR | 23.06 | 17 |
| SOUTH DAK | 25.19 | 13 |
| TENNESSEE | 26.31 | 12 |
| TEXAS | 18.07 | 29 |
| UTAH | 26.89 | 9 |
| VERMONT | 12.73 | 43 |
| VIRGINIA | 10.73 | 45 |
| WASHINGTO | 46.86 | 2 |
| WEST VIRG | 41.42 | 3 |
| WISCONSIN | 22.42 | 18 |
| WYOMING | 31.02 | 7 |
| US AVERAG | 19.62 | |
| KANSAS-NEA NEGOTIATION AND RESEARCH | | |

LWVK LEAGUE OF WOMEN VOTERS OF KANSAS

Statement to the House Committee on Assessment and Taxation Concerning the Governor's Sales Tax Proposal

I am Margaret Bearse speaking for the League of Women Voters of Kansas.

First, we are concerned about the timing of this hearing. To make a decision on this matter so early in the session seems unnecessarily hasty. Careful consideration of current revenue levels and spending requirements would seem to be the first step. I fear that should this measure pass so early in the session it would not be well received by the taxpayers, and if it should fail it will not be because the majority actually opposed it, but because they did not yet have the facts needed to make the decision.

Second, we believe there is a genuine need for increased revenue, and if none is generated vital services and programs will be eroded, particularly those for our most needy citizens. Therefore we urge you to diligently seek these additional funds.

The League recognizes that the sales tax has many of the characteristics of a good tax, such as stability and ease of administration, and accept it as part of a broad-based tax system. We have been concerned by its regressive nature, and urged that this be relieved by the exemption of food, and have preferred increased reliance on the more progressive income tax. But recent polls have shown that both legislators and taxpayers prefer the sales tax. We further realize that the people whom we seek to help through supporting a progressive tax are hurt by insufficient revenues. Therefore, we encourage your consideration of the proposed sales tax increase, but urge you to seek ways to make it less regressive perhaps through income tax credits including rebates for those who have no tax liability.

TESTIMONY TO
HOUSE ASSESSMENT AND TAXATION COMMITTEE

DR. STANLEY Z. KOPLIK
EXECUTIVE DIRECTOR
KANSAS BOARD OF REGENTS
JANUARY 15, 1986

I AM HERE TO MAKE A STATEMENT OF NEED, NOT TO ADDRESS THE FORMULATION OF TAX-POLICY. THE BOARD OF REGENTS IS SIMPLY NOT EQUIPPED NOR IN A POSITION OF RESPONSIBILITY TO DETERMINE THE OPTIMUM CAPACITY OF EACH COMPONENT LEVEL OF THE STATE GENERAL FUND. THE BOARD IS, HOWEVER, FULLY CAPABLE OF ANALYZING PUBLIC HIGHER EDUCATION'S NEEDS IN KANSAS AND DELIVERING A SERIES OF RECOMMENDATIONS TO THE GOVERNOR AND LEGISLATURE WHICH WILL MAINTAIN A VIABLE AND RESPONSIVE SYSTEM OF HIGHER EDUCATION INSTITUTIONS.

IN THE BOARD'S VIEW THIS IS NOT THE TIME TO STAND STILL
DESPITE AGGRAVATING ECONOMIC CONDITIONS.

THERE IS AN OPPORTUNITY TO REINFORCE THE PRIORITY STANDING OF HIGHER EDUCATION NOT ONLY TO KANSANS WHO ARE DIRECT BENEFICIARIES BUT TO THOSE ACROSS THE UNITED STATES WHO HAVE HISTORICALLY LOOKED UPON US WITH ENVY.

OVER THE COURSE OF THE NEXT 25 YEARS WE WILL BE REPLACING 2/3 OF OUR FACULTY. THAT RECRUITMENT EFFORT BEGINS NOW.

THE SIGNALS WE SEND REGARDING STATE SUPPORT CONVEY INDELIBLE IMPRESSIONS UPON THOSE WE WOULD LIKE TO ATTRACT. WE WANT TO MAINTAIN A STRONG PERCEPTION OF REGENTS INSTITUTIONS.

CLEARLY, WHAT THIS LEGISLATURE DECIDES TO DO ON FACULTY COMPENSATION OTHER OPERATING EXPENSES, AND PROGRAM IMPROVEMENTS WILL AFFECT THAT PERCEPTION.

ECONOMIC DEVELOPMENT HAS BECOME THE TRADEMARK AND THEME OF MANY STATES' EFFORTS AND INITIATIVES DURING THE PAST SEVERAL YEARS. KANSAS IS NO DIFFERENT AND WE APPEAR TO BE IN STEP, NODDING IN APPROPRIATE DIRECTIONS. TO THE BEST OF MY KNOWLEDGE, THERE IS NO STATE IN OUR NATION WHICH CAN CLAIM A STRING OF SUCCESSES IN ECONOMIC DEVELOPMENT (JOBS, RESEARCH,

INDUSTRIAL PARKS, TRAINING PROGRAMS) WHERE HIGHER EDUCATION EMPHASES AND IMPROVEMENTS HAVE NOT PLAYED A CRITICAL ROLE- CALIFORNIA, ARIZONA, NEW JERSEY, MINNESOTA, ILLINOIS, TENNESSEE, AND NORTH CAROLINA.

THE BOARD OF REGENTS JUST COMPLETED THE THIRD YEAR OF PROGRAM REVIEW. SINCE ITS INCEPTION IN 1983, 114 SEPARATE ACADEMIC DEGREE PROGRAMS HAVE BEEN DISCONTINUED OR MODIFIED. JUST A YEAR AGO, ONE REGENTS INSTITUTION OFFERED 15 MASTER'S DEGREE PROGRAMS; TODAY IT OFFERS 7. THE WHOLE PROGRAM REVIEW EFFORT HAS BEEN BUILT UPON AN IMPLICIT TRUST BETWEEN THE INSTITUTIONS, THE REGENTS, AND THE LEGISLATURE WHEREIN SUCH EFFORTS AIMED AT INSTITUTIONAL REFOCUSING AND SHARPENING OF MISSION WILL BE RECOGNIZED THROUGH AN INCENTIVE AND REWARD SYSTEM CHARACTERIZED BY ADDRESSING COMPENSATION NEEDS. TO DO OTHERWISE IS TO THWART ONE OF THE MOST SIGNIFICANT ACTIVITIES IN THE RECENT HISTORY OF KANSAS HIGHER EDUCATION.

* THE CHOICE FOR COLLEGES AND UNIVERSITIES EVERYWHERE IS LIVING WITH THE DEADENING CONSTRAINTS OF AUSTERITY AND DIMINISHED EXPECTATION OR LOOKING AHEAD WITH BUOYANT OPTIMISM BASED ON A RECOGNITION OF POTENTIAL. TO PUT IT BLUNTLY, KANSAS COLLEGES AND UNIVERSITIES ARE UNDERFINANCED. ONE OF THE MOST SERIOUS CONSEQUENCES IS THAT THEY ARE GRADUALLY LOSING THEIR POWER TO COMPETE FOR FACULTY TALENT. THERE HAS ALREADY BEEN SOMETHING OF AN EXODUS OF FACULTY FROM FIELDS SUCH AS ENGINEERING, BUSINESS, COMPUTER SCIENCE, AND MEDICINE, AND MANY OTHER DISCIPLINES WILL BE DEPLETED IF FACULTY COMPENSATION AND THE WORK ENVIRONMENT CONTINUE TO DETERIORATE. MEANWHILE, AS CURRENT STUDIES SHOW, THE ABLEST YOUNG PEOPLE, AS THEY CHOOSE THEIR CAREERS, ARE TENDING INCREASINGLY TO PASS OVER THE ACADEMIC PROFESSION IN FAVOR OF OTHER CALLINGS. THIS DOES NOT MEAN THAT HIGHER EDUCATION WILL BE UNABLE TO FILL ALL ITS POSITIONS. THERE ARE SO MANY PEOPLE IN THE WORLD WITH ADVANCED DEGREES THAT THERE WILL NEVER BE AN ABSOLUTE SHORTAGE. WHAT IT MEANS IS THAT THE *CALIBER* OF THE PEOPLE HIGHER EDUCATION WILL BE ABLE TO

RECRUIT WILL BE BELOW PAR. IT IS A MATTER OF QUALITY, NOT QUANTITY. BOTH RETENTION AND RECRUITMENT REQUIRE ADEQUATE FINANCES.

MR. CHAIRMAN, OUR BUDGET REQUESTS WHICH YOU AND YOUR COLLEAGUES WILL SCRUTINIZE OVER THE NEXT SEVERAL MONTHS REPRESENT REASONABLE RESPONSES TO EXPECTATIONS PLACED UPON KANSAS HIGHER EDUCATION. WE SIMPLY ASK YOU TO GIVE US THE TOOLS TODAY IN ORDER TO ENSURE A SOLID FOUNDATION FOR THE STUDENTS WE WILL EDUCATE TOMORROW.

January 15, 1986

KANSAS STATE CONFERENCE AAUP
c/o Department of History - 3001 Wescoe Hall
University of Kansas
Lawrence, KS 66045

Mr. Chairman, Members of the Ways and Means Committee:

My name is Grant Goodman. I am Professor of History at the University of Kansas and President of the Kansas State Conference of the American Association of University Professors.

I appear before you today to attest to the very strong support of our organization for increased tax revenue for the State of Kansas whether by increases in the sales tax, the income tax or any other appropriate revenue sources. I represent the largest single organization of faculty members in both public and private institutions of higher education throughout the state. We most emphatically urge this committee to report favorably the Governor's investment budget.

Iowa, Oklahoma and Michigan have unfortunately all already been through revenue crises of the kind that now confronts Kansas. In each of these instances the respective legislatures of those states raised taxes and, with the increased income, increased appropriations for higher education. Those courageous legislators understood, as you will surely understand, that if their states were to move toward serious economic development, colleges and universities were their most valuable asset. It is essential, therefore, to the health of the state and to the health of our colleges and universities that their resource base be enhanced so that here in Kansas they may be in the forefront of our economic development effort.

Our institutions of higher learning are certainly in drastic need of additional revenue within the range proposed in the Governor's investment budget. We know that your committee can not but act favorably in the light of these most pressing needs. Thank you very much.

1/15/86 Hs. A&T
Attachment 11

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

HB 2687

January 15, 1986

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

HOUSE ASSESSMENT AND TAXATION COMMITTEE

by

David S. Litwin
Director of Taxation

Mr. Chairman, members of the committee. My name is David Litwin. I represent the Kansas Chamber of Commerce and Industry and we appreciate the opportunity to testify today on HB 2687.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

At its meeting last month, the KCCI Board of Directors adopted 1986 major legislative objectives for our organization, one of which states that if there is a demon-

strated legitimate need for a tax increase, we endorse reliance on a sales tax. There are several reasons for this position.

First, sales tax is very broad-based and requires some contribution to the tax load by virtually everybody. We believe that when additional revenue needs to be raised for general state purposes benefiting the state as a whole, it's appropriate that everybody be called upon to contribute his or her fair share. Virtually everybody pays sales tax. It is true that, as with almost every state tax both in Kansas and in our sister states, sales tax tends to be regressive. However, its regressivity is tempered by its aspect of voluntariness, that is, once necessities have been bought, further purchases are discretionary. If you make such additional purchases, you pay tax; if you do not, then you do not pay additional sales tax. In this way, as one's income rises, one tends to pay more sales tax.

Next, a good part of the incidence of sales tax is exported, that is, paid by nonresidents of the state, such as travelers, commuters, and shoppers. Finally, from the viewpoint of tax competitiveness, we are relatively low compared to most of the states in our region. For this reason, as well as that by its very nature sales tax provides less disincentive to investment than many other taxes, our regional tax competitiveness would not be significantly set back by a moderate sales tax increase.

On the other hand, we feel that taxes that are targeted precisely at the group that makes most of the decisions concerning whether to invest in Kansas or elsewhere, do have a very real potential to retard and harm economic development prospects. The so-called "booster tax" and its variants which are presently contained in several bills pending in this committee and its Senate counterpart, are prime examples of what the business community perceives as such discriminatory and counterproductive revenue measures.

At this juncture, then, our threshold problem is the same as yours, that is, determining whether there is a need for a tax increase in the first place. The session has barely begun, and the Governor's budget has not yet received consideration by the legislature. Yet it's undeniable that there is malaise and concern everywhere

about the state of our economy and of the General Fund. The consensus revenue estimating group lowered its fiscal year 1986 projections last November by some \$55 million, the result being that revenues are expected to increase less than 1% over FY 1985. This would be a real reduction in revenue, since inflation exceeds 3%. It should also be remembered that even the 1985 final figure was \$39 million less than the first estimate, and the current projection for 1986 is 1.5% below the original estimate for 1985. The outlook for FY 1987 isn't much better..

In truth, if our economy were stronger, it would have produced more than enough revenue to fund our programs, and you probably wouldn't have to consider a tax increase this year. The Institute for Public Policy and Business Research at the University of Kansas recently proposed a bold economic development initiative, which KCCI endorses. If the legislature ultimately enacts those recommendations, hopefully in the long run our economy will receive a major boost, and an important byproduct would be enhanced state revenue.

But implementation of this plan will cost money. Under the present state of fiscal affairs, it's hard to see where such funding might be secured, other than through some kind of new revenue measure.

To return to the beginning of my testimony, our Board of Directors has not yet taken a position on a tax increase, so at this time I cannot actually endorse the bill pending before this committee. However, unless there is an unexpected upturn in the revenue situation in the near future, endorsement by our Board might be forthcoming. But it's too early in the session to say. We look forward to working with this committee during the coming weeks as the state's revenue and budgetary landscapes become more clearly defined.

Thank you again for the opportunity to present our views. If there are questions, I'll be happy to address them.



TESTIMONY ON THE GOVERNOR'S SALES TAX INCREASE PROPOSAL

before the

House Assessment & Taxation Committee

by

Bill Curtis, Assistant Executive Director
Kansas Association of School Boards

January 15, 1986

Mr. Chairman and members of the committee, we are pleased to have this opportunity to present the views of the school boards of Kansas on this topic of vital interest.

The Delegate Assembly of the Kansas Association of School Boards approved a policy position for the association supporting an increase in the revenue sources as long as those sources were not from the property tax. Therefore, the association cautiously supports a sales tax increase. However, the association will not support the Governor's investment budget. To support an increase of \$190 million and only receive \$8 million in increased SDEA funding is not acceptable.

I believe one of the primary concerns of school boards across the state is the level of property taxes that must be paid by its citizens. Negotiations this past year were extremely difficult. Unused budget authority is at a high point, more districts went past the June 1 deadline, and yet the average raise for teachers reached 8%. All this occurred in a year when the level of state support for public education declined.

In summary, Mr. Chairman and members of the committee, the Kansas Association of School Boards recognizes the financial conditions of the state, and supports some form of increased revenue. However, public education also needs increased support from the state if any relief from the property tax rates is to be realized.