

Approved February 19, 1986
Date

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Fred A. Kerr at
Chairperson

11:00 a.m. ~~XXX~~ on Tuesday, February 18, 1986 in room 519-S of the Capitol.

All members were present ~~except~~.

Committee staff present:

Tom Severn, Research Department
Melinda Hanson, Research Department
Don Hayward, Revisor's Office
LaVonne Mumert, Secretary to the Committee

Conferees appearing before the committee:

Connie Hubbell, State Board of Education
Gary Toebben, Lawrence Chamber of Commerce, Kansas Industrial Developers Assn.
Craig Grant, Kansas-National Education Association
Gerald W. Henderson, United School Administrators of Kansas
Patrick M. Slick, Lawrence
Bill Curtis, Kansas Association of School Boards
David Litwin, Kansas Chamber of Commerce and Industry
Ruth Wilkin, American Association of University Professors

S.B. 536 - Increase in sales and compensating use tax rates; increase in sales tax refunds on food

Connie Hubbell spoke in support of a one cent increase in the state's sales tax (Attachment 1). She urged that the proceeds be used to increase teacher salaries and reduce property tax. She agreed with Senator Hayden's observation that the financial difficulties being experienced in neighboring states could have a positive impact on Kansas' ability to secure qualified teachers. Chairman Kerr asked if Ms. Hubbell agrees with statistics that indicate that Kansas ranks fourth in the nation in increasing teacher salaries over the past ten years. Ms. Hubbell replied that she does not have information on that but she does know that Kansas has increased from 38th in the nation to 30th with regard to teacher salaries. Senator Karr asked if the Board of Education supports a starting date of July 1 for the sales tax increase. Ms. Hubbell answered that she believes that would be the Board's position.

Gary Toebben testified in favor of a one cent increase in sales tax (Attachment 2). He feels that additional revenue is needed and that the sales tax is the most appropriate source. In response to a question from Chairman Kerr, Mr. Toebben said his organizations support both the sales tax increase and a state lottery for funding economic development. Senator Karr asked how much money Mr. Toebben would recommend for economic development. Mr. Toebben answered that it is estimated that funding of the Redwood report is somewhere in the \$30 to \$35 million range. Senator Hayden asked about education. Mr. Toebben said, not only is higher education vitally important, but also K-12 in encouraging economic development. Answering Senator Allen's question, Mr. Toebben said that the sales tax is the most appropriate means to generate new money without being counter-productive. He stated that potential developers ask about property tax, inventory tax, trending factors and income tax but seldom inquire about sales tax.

Craig Grant testified in support of a sales tax increase (Attachment 3). He pointed out that Kansas ranks 28th in percentage of state support for education. Mr. Grant also provided tables showing the sales tax rates for all 50 states and showing the amount of sales tax per \$1,000 per capita income. Senator Thiessen asked whether KNEA supports S.B. 536 or the Ad Hoc Committee on School Finance's proposal. Mr. Grant replied that they support the ad hoc proposal basically because it does earmark a greater portion of the income for education. He noted that other items such as ending balances, etc. warrant consideration but are not addressed by the ad hoc proposal.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m. ~~xxx~~ on February 18, 1986.

Gerald W. Henderson spoke in support of S.B. 536 (Attachment 4). He said that education is an integral part of economic development.

Patrick M. Slick stated that he is opposed to the sales tax increase as it is proposed (Attachment 5). He urged that food, clothing and other essential items should be exempt from sales tax, as is medicine. Mr. Slick said that most people are not aware of the rebate on food items. He added that a rebate at the end of the year is of little use in February. He feels that S.B. 536 will cause more and more people to require assistance from social programs.

Bill Curtis advised that his association supports an increase in revenue sources so long as those sources are something other than the property tax (Attachment 6). He said his association cautiously supports the proposed sales tax increase but does not support the Governor's Investment Budget. They feel that a mere \$8 million increase in the School District Equalization Act is unacceptable. He urged that allocations for education be sufficient to provide some property tax relief or, at the very least, to minimize the effect on property tax. He does not support the reduction of funding for transportation or the KPERS contribution. Mr. Curtis expressed concern that the proposal will cause additional impasse proceedings with regard to salaries.

David Litwin testified that the Board of Directors supports reliance on a sales tax to the extent that additional revenue may be needed but have no position about how much revenue is needed. His association feels it would be counter-productive to increase income tax rates. Mr. Litwin said that sales tax is not a major hindrance to economic development compared to other methods of increasing revenues. He urged that Kansas retailers be given an administrative allowance for collecting the tax. Rates in the four neighboring states vary from 2% in Missouri to 3 1/3% in Colorado. Mr. Litwin noted that previously retailers have had the use of the sales tax receipts until the end of the following month, but with the accelerated collection, this is no longer the case.

Ruth Wilkin spoke in favor of increased tax revenues, from whatever source (Attachment 7). She said that colleges and universities will be the most valuable asset in economic development.

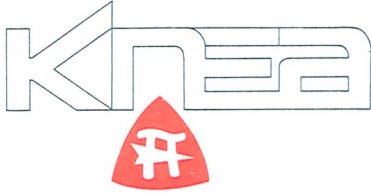
Chairman Kerr announced that the hearing on S.B. 536 would be continued on February 20, 1986.

Meeting adjourned.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

DATE	NAME	ADDRESS	REPRESENTING
2/15/86	Gerald Muddusa	Topeka	USA
	Connie Hunsell	Topeka	St. Bernard of La.
	Dely Miller	Topeka	KDOT
	Bill Curtis	Topeka	KASB
	Craig Grant	Lawrence	K-NEA
	Jay Ness	Topeka	K-NEA
	Ron Colbert	Newton	United Transportation Union
	Ann Kauf	Topeka	League of Municipalities
	Janet Stubbs	"	HBAK
	Joe Dwigan	K.C. Ty	KCPL
	Dad Finn	Topeka	KCCF
	Tom Whitake	Topeka	Ks. Motor Carriers Assn
	Chak Hiroley	Topeka	Ks. Oil Marketers Assn
	Chip Wheelers	Topeka	Legis. Policy Group
	BOB BRADLEY	LAURENCE	Ks. Assoc. Counties
	Dan Rambow	Topeka	Ks. Contractors Assn
	Glenn Coulter	Topeka	Ks. Contractors Assn
	PAT SLICK	Lawrence	self
	Ruth Weibin	Topeka	AAUP
	Margaret Bearse	Lawrence	LWVK
	Jim Murphy	Havenworth	Gov. Office
	Gary Toebber	Lawrence	Chamber of Commerce



Craig Grant Testimony Before The
Senate Assessment & Taxation Committee
February 18, 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
ILLINDIS	16.80		34
INDIANA	25.53		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		
PENNSYLVA	17.37		33
RHODE ISL	19.05		24
SOUTH CAR	23.06		17
SOUTH DAK	25.18		13
TENNESSEE	26.31		12
TEXAS	18.07		29
UTAH	26.89		9
VERMONT	12.73		43
VIRGINIA	10.73		45
WASHINGTON	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			



Testimony on SB 526
Presented before the Senate Assessment and Taxation Committee
by Gerald W. Henderson, Executive Director
United School Administrators of Kansas

February 18, 1986

Thank you Mr. Chairman and members of the committee. We appreciate the opportunity to visit with you concerning the Governor's proposed one cent increase in the state sales tax. United School Administrators took a position in favor of a one cent increase in the sales tax at the November meeting of our Task Force on school finance. It was our position then and is now that the sales tax is the best vehicle for providing added revenue to the state. Several polls of which you are well aware indicate that a majority of Kansas citizens share this view.

Our purpose as administrators in speaking out early in support of the increase to the state sales tax was to demonstrate even before you convened in January our belief that measures had to be taken to relieve the burden on the local property taxpayer.

We urge you to vote this bill out favorably for passage.

TESTIMONY BEFORE KANSAS SENATE ASSESSMENT AND TAXATION COMMITTEE

Given by Patrick M. (Pat) Slick
1147 Oregon Street Lawrence
18 February, 1986 -- Rm. 519, State Capitol Building, Topeka

First of all I would like to thank Mr. Fred A. Kerr for having invited me to speak before you today.

I am not here to speak against taxation. We all know that taxes are needed.

I am here to speak out against one proposal to increase the Kansas sales tax.

Our Governor has asked for a 1% across the board increase of our sales tax.

He and others have noted that we are in need of increased revenues here in Kansas.

I am here mainly to speak out against any sales tax on the essentials of life, which include groceries, clothing and medicine.

An increased sales tax on these items, with the exception of medicine which is not now taxed, will only serve to harm the low and middle income persons of our state by forcing them to spend even more of their little monies on those things which are essential to life.

Folks tell me that groceries bought with food stamps will not, in the future, be taxed. That would be fine. What about people like myself who get only \$10. worth of food stamps a month? What about those who are poorer than I and who do not, for some reason, qualify to use food stamps? (According to a recent National Public Radio report, 25% of those who qualify to receive food stamps are not now getting them.) And would not people only get a few dollars worth of food stamps per month be hurt by having to pay out more money for food through this proposed tax increase? Would not people who just miss qualifying for food stamps be forced onto other welfare programs through the drain on their incomes by an increase in the sales tax?

I am told that eligible folks would get a larger rebate at the end of the year on the tax which they pay for food than they now get, if the Governor's plan is adopted. Half of the eligible folks in Kansas do not even know that they qualify for the mere \$20. rebate which now exists. And what good is a rebate at the end of the year, no matter how large, when it cannot buy food in February? This rebate plan sounds to me like liberals trying to alleviate their guilt complex resulting from supporting this proposed highly regressive taxation.

As I said, I am not here to oppose taxation. Let me put aside for the moment the proposed increased taxation on the upper income citizens of Kansas. Let me talk to you about what I consider a highly progressive idea for a sales tax increase. If we were to grant that the state needs more money and that a sales tax increase is the best way to go about raising this needed revenue, why not increase the sales tax from 3 to 5 per cent, enough to raise the needed revenue, and

remove it from those items which are essential for life. Many states now do not tax groceries because they see the extreme regressive nature of such a tax.

In Pennsylvania, for example, there is a 6% sales tax. This tax is not put on groceries, (restaurant meals are taxed under their sales tax because those meals are seen as a luxury), clothing, shoes, medicine and certain personal items seen as necessary in order to function in the society.

Granting that the cost of living is equal in some Pennsylvania cities as in some in Kansas, a low income citizen of Kansas would be all the poorer just by living here rather than in Pennsylvania. If our Governor wishes for economic development in Kansas, how can he or we hope to create a progressive economy with such a backward system of taxation? Is it not ironic that our farmers grow some food and when they go to the stores to buy the types food they do not grow for us and for themselves, they are taxed? Think about that, is it not almost an absurdity that a farm state taxes food?

I am here asking you our Senators to think about these ideas. To think about a system of taxation which will be just and fair to all. Increase the sales tax, if we must, but increase it in a way which is in tune with our times and which will take us into an economically sound future for all citizens of our great state of Kansas.

Thank you all kindly for hearing my ideas. I trust that you will give to them the deepest of considerations.

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS

5401 S. W. 7th Avenue Topeka, Kansas 66606
913-273-3600

TESTIMONY ON S.B. 536

before the

Senate Assessment & Taxation Committee

by

Bill Curtis, Assistant Executive Director
Kansas Association of School Boards

February 17, 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.

AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS
KANSAS STATE CONFERENCE

Mr. Chairman and Members of the Committee:

My name is Ruth Wilkin, and I am representing the Kansas Conference of the American Association of University Professors. The AAUP is the largest single organization of faculty members in both public and private institutions of higher education in Kansas. We have over 500 members on 15 campuses in Kansas.

AAUP wishes to express their very strong support for increased tax revenue for the State of Kansas, whether by increase in the sales tax, the income tax, or any other appropriate revenue sources. We urge adoption of a budget with support for higher education at least at the level proposed in the governor's investment budget, but we want you to understand we are willing to pay the increased taxes necessary to fund such a budget.

We believe if Kansas is to seriously move toward economic development, colleges and universities will be our 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 higher education may be in the forefront of our economic development effort. Our universities are in need of additional funds for salaries and support services. We do not believe Kansans want their standard of excellence to drop, and we hope you will see fit to increase revenues to continue adequate funding. Thank you very much.

Feb. 18, 1986

Attachment 7
Senate Tax - 2/18/86