

Approved \_\_\_\_\_

Date

3/2/87

MINUTES OF THE House COMMITTEE ON Appropriations

The meeting was called to order by Bill Buntен at  
Chairperson

1:30 ~~am~~/p.m. on Monday, February 23, 1987 in room 514-S of the Capitol.

All members were present except:

Committee staff present: Gloria Timmer, Legislative Research  
Scott Rothe, Legislative Research  
Jim Wilson, Revisor's Office  
Sharon Schwartz, Administrative Aide  
Nadine Young, Committee Secretary

Conferees appearing before the committee:

Gary Stotts, Acting Director of Budget  
Chip Wheelen, Kansas Legislative Policy Group  
Beverly Bradley, Kansas Association of Counties  
Willie Martin, Sedgwick County  
Gerry Ray, Johnson County  
E. A. Mosher, League of Kansas Municipalities  
Glen Dockery, City of Wichita

HB 2197 -- concerning the county inheritance tax fund; providing for the termination of distributions to counties therefrom; abolishing such fund and disposing of the moneys therein; amending K.S.A. 79-1578 and repealing the existing section.

Gary Stotts, representing the Governor's Budget Office, explained the provisions of the bill. HB 2197 would terminate 5% of the inheritance tax collection that flows back to the counties and would save \$300,000 in FY 1987; \$1.2 million in FY 1988.

Chip Wheelen, representing Kansas Legislative Policy Group, testified in opposition to the bill (Attachment 1).

Beverly Bradley appeared in opposition to HB 2197 on behalf of Kansas Association of Counties (Attachment 2).

Willie Martin, representing the Sedgwick County Board of Commissioner, told the committee that this shared revenue is needed by local units in order to establish fiscal stability (Attachment 3).

Gerry Ray, representing Johnson County, addressed the committee in opposition to the measure (Attachment 4).

Darold Main also spoke briefly against the bill. He represents Shawnee County.

Representative Shriver moved that HB 2197 be recommended favorably for passage. Seconded by Representative Duncan. Motion carried.

HB 2207 -- relating to the distribution of transportation aid to school districts; amending K.S.A. 72-7050 and repealing the existing section

Gary Stotts explained the provision of the bill which is designed to help with the cash flow problem. Representative Mainey offered an amendment that would return to the school districts any interest earned on the funds. Representative Teagarden seconded. Motion failed on a show of hands vote, 8 voting aye and 11 voting nay.

On the bill, Representative Duncan moved that HB 2207 be recommended favorable for passage. Representative Chronister seconded and the motion carried.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Appropriations,  
room 514-S, Statehouse, at 1:30 ~~am~~/p.m. on Monday, February 23, 19 87

HB 2198 -- relating to transfers from the state general fund to the state highway fund; amending K.S.A. 79-34,147 and repealing the existing section; also repealing K.S.A. 79-34,148.

Gary Stotts presented the bill to the committee. HB 2198 would reduce the state general fund transfer to the highway fund and would reduce the sales tax base from 4% to 3%. He told the committee that no projects of the highway plan would be affected in the next two years.

A balloon amendment (Attachment 5) was presented for consideration which proposes to move the time frame forward. Representative Bunten moved that the amendment be adopted. Seconded by Representative Hoy. Motion carried.

Representative Guldner offered a conceptual amendment that the sales tax base be set back at 4% at the end of Fiscal Year 1989. Representative King seconded. The motion failed on a show of hands vote, 10 for and 12 against.

Representative Miller moved that HB 2198, as amended, be recommended favorable for passage. Representative Lowther seconded. Motion carried.

HB 2206 -- relating to transfers from the state general fund, relating to the local ad valorem tax reduction fund and the county and city revenue sharing fund; amending K.S.A. 79-2959 and 79-2964 and repealing the existing sections.

Gary Stotts explained the provisions of the bill. It would change the base for distribution to local ad valorem property tax reduction fund and city and county revenue sharing fund from 4% to 3% base.

Representative Bunten presented an amendment (Attachment 6) and moved that it be adopted. Representative Hoy seconded. Motion failed.

Chip Wheelen addressed the committee in opposition to HB 2206 (Attachment 7). He testified that this additional aid money is desperately needed to offset the shrinking property tax base.

E. A. Mosher, Executive Director of League of Kansas Municipalities also appeared in opposition to HB 2206 (Attachment 8).

Glen Dockery, representing the Board of City Commission for Wichita also appeared in opposition to HB 2206. He said City of Wichita has over the past several years made a number of reductions, they have 400 fewer employees now. Another reduction, as a result of passage of this bill, is more than they can live with.

Final action was not taken today - chairman wanted committee members to give some thought to the matter and announced that it would be taken up again soon.

Representative Bunten presented a draft bill (Attachment 9) that makes subject to the appropriation process the monies designated for the local ad valorem property tax reduction fund and city and county revenue sharing fund. On a motion by Representative Chronister and a second by Representative Duncan, the motion carried.

Representative Mainey moved that the Minutes for February 11, 16, 17, 18 and 19 be approved as written. Seconded by Representative Chronister. Motion carried.

Meeting adjourned at 3:30 p.m.



## Kansas Legislative Policy Group

301 Capitol Tower, 400 West Eighth, Topeka, Kansas 66603, 913-233-2227

TIMOTHY N. HAGEMANN, Executive Director

February 23, 1987

TESTIMONY  
to  
HOUSE APPROPRIATIONS COMMITTEE  
House Bill 2197

Mr. Chairman and members of the Committee, I am Chip Wheelen of Pete McGill and Associates. We represent the Kansas Legislative Policy Group which is an organization of County Commissioners from rural areas of the State. We appear today in opposition to House Bill 2197.

We must concur that counties perhaps do not "earn" their five percent share of inheritance tax revenues because they no longer administer collection of that tax. We respectfully submit, however, that until such time that the State assumes responsibility for financing all costs of operating the district courts, we must oppose any measure which would reduce the amount of state aid money distributed to county governments.

If the Committee should decide to recommend HB 2197 for passage, we respectfully request that you also recommend passage of a bill to provide for quarterly reimbursements to counties for the costs of fees paid to jurors. Such reimbursements were recommended by the 1986 Special Committee on the Courts System.

The interim committee recommendation is found on page 47 of the report. That recommendation is to "assume jury costs for the last half of FY 1988 (after January 1, 1988) and succeeding years". Adoption of that recommendation would involve only one quarter of state reimbursement during FY 1988 and the cost to the State for that expense would probably be less than five percent of inheritance tax collections during the same fiscal year.

Thank you for your consideration.

# Kansas Association of Counties

*Serving Kansas Counties*

212 S.W. SEVENTH STREET, TOPEKA, KANSAS 66603      PHONE 913 233-2271

February 23, 1987

To: Representative Bill Buntten, Chairman  
Members House Appropriations Committee

From: Bev Bradley, Legislative Coordinator  
Kansas Association of Counties

Re: HB-2197 Termination of County Inheritance Tax Fund

Good afternoon, I am Bev Bradley, from the Kansas Association of Counties. Thank you for allowing me to testify today in opposition to HB-2197.

Counties oppose further erosion of the tax base.

Some counties can't afford to lose even a small amount of money from their budget. If in fact the 5% inheritance tax to counties is discontinued it would have to be replaced by an increase in property tax which most people feel is already overburdened. Particularly in small rural counties, this is important because of the poor agriculture economy.

It seems appropriate to leave a small amount, 5%, of the inheritance tax in the county in which it was earned even though the county is no longer collecting it.

I urge you to oppose HB-2197. Thank you for your time and attention.



SEDGWICK COUNTY, KANSAS

INTERGOVERNMENTAL COORDINATOR

WILLIE MARTIN

COUNTY COURTHOUSE • SUITE 315 • WICHITA, KANSAS 67203-3759 • TELEPHONE (316) 268-7552

February 23, 1987

House Committee on Appropriations

Re: HB 2197  
County Inheritance Tax

Mr. Chairman and Members of the Committee:

I am Willie Martin, representing the Sedgwick County Board of Commissioners. I appear before you today in opposition to HB 2197.

To leave 5% of the inheritance tax collected in the county in which it was earned is reasonable. In 1986 Sedgwick County collections from inheritance tax totaled \$188,500. If we had not had the revenue and instead had levied ad valorem taxes the additional County mill levy would have been .136 mills. Annualized, the loss to counties in shared revenue from the inheritance tax would be about 1.6 million.

At this time there are many bills being considered by the legislature which would reduce substantially state shared revenues to local government units. It is appropriate that all levels of government in Kansas participate in funding cuts to establish fiscal stability. We suggest it is not reasonable to think that local government can fund local programs and initiatives, state mandated programs (reappraisal) and state controlled functions (district court) with the local ad valorem tax.

I respectfully request that you oppose HB 2197.



HOUSE APPROPRIATIONS COMMITTEE  
HEARING ON HOUSE BILL 2197  
MONDAY, FEBRUARY 23, 1987  
TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL COORDINATOR  
JOHNSON COUNTY BOARD OF COMMISSIONERS

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS GERRY RAY REPRESENTING THE JOHNSON COUNTY BOARD OF COMMISSIONERS. THANK YOU FOR THE OPPORTUNITY TO PRESENT TESTIMONY EXPRESSING OPPOSITION TO HOUSE BILL 2197, WHICH WOULD STOP THE DISTRIBUTION OF INHERITANCE TAX TO COUNTIES.

IN 1986 JOHNSON COUNTY RECEIVED \$197,223.44 FROM THE COUNTY INHERITANCE TAX FUND. LOCAL GOVERNMENTS CONTINUALLY FACE REVENUE LOSSES AT BOTH THE FEDERAL AND STATE LEVEL WHILE AT THE SAME TIME BEING GIVEN THE RESPONSIBILITY TO PROVIDE ADDITIONAL SERVICES TO OUR CITIZENS. WE ASK THE STATE LEGISLATURE TO UNDERSTAND THE DILEMMA OF THE LOCAL OFFICIALS AND HELP THEM BY NOT REDUCING OUR REVENUE SOURCES FURTHER.

THE JOHNSON COUNTY COMMISSIONERS ASK THAT THE APPROPRIATIONS COMMITTEE JOIN THEM IN OPPOSING HOUSE BILL 2197.

# HOUSE BILL No. 2198

By Committee on Appropriations

2-5

0017 AN ACT relating to transfers from the state general fund to the  
0018 state highway fund; amending K.S.A. 79-34,147 and repealing  
0019 the existing section ~~also repealing K.S.A. 79-34,148.~~

0020 *Be it enacted by the Legislature of the State of Kansas:*

0021 Section 1. K.S.A. 79-34,147 is hereby amended to read as  
0022 follows: 79-34,147. (a) ~~On October 1, 1987, and on each January~~  
0023 ~~1, April 1, July 1 and October 1~~ thereafter, the secretary of  
0024 revenue shall certify daily to the director of accounts and reports  
0025 the amount equal to 9.19% of the total revenues received by the  
0026 secretary from the taxes imposed under the Kansas retailers'  
0027 sales tax act and deposited in the state treasury and credited to  
0028 the state general fund ~~on the next preceding day that such~~  
0029 ~~revenues were so received and deposited during the preceding~~  
0030 *three calendar months.*

0031 (b) Upon receipt of each certification under subsection (a),  
0032 the director of accounts and reports shall transfer from the state  
0033 general fund to the state highway fund the amount computed as  
0034 follows:

- 0035 (1) ~~During the fiscal year ending June 30, 1984, the amount~~  
0036 ~~equal to <sup>5</sup>/<sub>42</sub> of the amount so certified;~~
- 0037 (2) ~~during the fiscal year ending June 30, 1985, the amount~~  
0038 ~~equal to <sup>10</sup>/<sub>42</sub> of the amount so certified;~~
- 0039 (3) ~~during the fiscal year ending June 30, 1986, the amount~~  
0040 ~~equal to <sup>15</sup>/<sub>42</sub> of the amount so certified;~~
- 0041 (4) ~~during the fiscal year ending June 30, 1987, the amount~~  
0042 ~~equal to <sup>20</sup>/<sub>42</sub> of the amount so certified;~~
- 0043 (5) ~~During the fiscal year ending June 30, 1988, the amount~~  
0044 ~~equal to <sup>25</sup>/<sub>42</sub> 41.6% of the amount so certified, and~~
- 0045 (6) ~~(2) during the fiscal year ending June 30, 1989, and each~~

July 1, 1987, and on each October 1, January 1, April 1 and July 1

(1) On July 1, 1987, for the taxes collected during the last quarter of the fiscal year ending June 30, 1987, the amount equal to 35.7% of the amount so certified;

(2) On October 1, 1987, January 1, 1988, April 1, 1988 and July 1, 1988, for the taxes collected during the fiscal year ending June 30, 1988, the amount equal to 44.6% of the amount so certified; and

(3) commencing on October 1, 1988, and thereafter for the taxes collected during the fiscal year ending June 30, 1989, and for the taxes collected during each

Attachment 5  
House Appropriations 2/23/87



0046 fiscal year thereafter, the amount equal to ~~30/48~~ 53.6% of the  
0047 amount so certified.

0048 Sec. 2. K.S.A. 79-34,147 ~~and 79-34,148 are~~ hereby repealed.

0049 Sec. 3. This act shall take effect and be in force from and  
0050 after its publication in the ~~statute book~~

is

April 1, 1987, and

Kansas register

## PROPOSED AMENDMENTS TO H.B. NO. 2206

## For Consideration by Committee on Appropriations

Be amended:

On page 1, in line 34, preceding the period, by inserting the following: ", except that the amount transferred on July 15, 1987, shall be the amount determined as provided in subsection (d)";

On page 2, preceding line 68, by inserting the following material to read as follows:

"(d) Prior to July 15, 1987, the secretary of revenue shall certify to the director of accounts and reports the total amount of retail sales and compensating taxes imposed and collected at the rate of 3% and credited to the state general fund during calendar year 1986 pursuant to the statutes contained in articles 36 and 37 of chapter 79 of the Kansas Statutes Annotated and acts amendatory thereof and acts supplemental thereto and the total amount of such taxes imposed and collected at the rate of 4% and credited to the state general fund during calendar year 1986 pursuant to such statutes. The amount transferred by the director of accounts and reports under this section on July 15, 1987, shall be equal to 1/2 of the total of: (1) The amount equal to 4.5% of the amount certified by the secretary of revenue under this subsection as the amount of such taxes imposed and collected at the rate of 3% and credited to the state general fund during calendar year 1986, and (2) the amount equal to 4.5% of 3/4 of the amount certified by the secretary of revenue under this subsection as the amount of such taxes imposed and collected at the rate of 4% and credited to the state general fund during calendar year 1986.";

Also on page 2, in line 69, preceding "There" by inserting "(a)"; in line 72, by striking "herein" and inserting in lieu thereof the following: "in K.S.A. 79-2965, 79-2966 and 79-2967 and amendments thereto"; in line 75, by striking "3 1/2%" and

inserting in lieu thereof "3.5%"; in line 80, preceding the period, by inserting the following: ", except that the amounts transferred on July 15, 1987, and December 10, 1987, shall be the amounts determined as provided in subsection (b)"; preceding line 81, by inserting the following material to read as follows:

"(b) The amount transferred by the director of accounts and reports under this section on July 15, 1987, and December 10, 1987, shall be equal to 1/2 of the total of: (1) The amount equal to 3.5% of the amount certified by the secretary of revenue under subsection (d) of K.S.A. 79-2959 and amendments thereto as the amount of retail sales and compensating taxes imposed and collected at the rate of 3% and credited to the state general fund during calendar year 1986, and (2) the amount equal to 3.5% of 3/4 of the amount certified by the secretary of revenue under subsection (d) of K.S.A. 79-2959 and amendments thereto as the amount of such taxes imposed and collected at the rate of 4% and credited to the state general fund during calendar year 1986.";

Also on page 2, in line 82, by striking "January"; in line 83, by striking "1, 1988,"; also in line 83, preceding "its" by inserting "after";

And the bill be passed as amended.



## Kansas Legislative Policy Group

301 Capitol Tower, 400 West Eighth, Topeka, Kansas 66603, 913-233-2227

TIMOTHY N. HAGEMANN, Executive Director

February 23, 1987

TESTIMONY  
to  
HOUSE APPROPRIATIONS COMMITTEE  
House Bill 2206

Mr. Chairman and members of the Committee, I am Chip Wheelen of Pete McGill and Associates. We represent the Kansas Legislative Policy Group which is an organization of County Commissioners from rural areas of the State. We appear today in opposition to House Bill 2206.

Because our members are rural, mineral producing counties, we, perhaps better than others, appreciate your concerns related to State General Fund receipts and ending balances. Economic conditions which have adversely affected state finances have caused similar budget crises among our counties.

As you probably know, the recession in the minerals industry has resulted in declining assessed valuations from oil and gas wells. As a result, our county commissioners and other governing officials within our counties are confronted with two basic options; either reduce the budgets of important public services or increase mill levies.

Because our assessed valuations are principally attributable to mineral properties and farmland, a mill levy increase means additional property taxes must be paid by both the oil and gas industry and the distressed agricultural sector. This dilemma is worsened by the cost of reappraisal and the loss of federal revenue sharing.

We acknowledge the validity of the argument that counties are accustomed to receiving eight percent of a three percent state sales tax (4.5% LAVTRF and 3.5% CCRSF) and that three-fourths of a four percent sales tax is equivalent to the current levels of state aid for property tax reduction. We respectfully submit, however, that the additional aid money derived from the local share of the one percent increase in sales tax is desperately needed to offset our shrinking property tax base.

Another important consideration is timing. We have argued in the past and maintain our position that property tax relief is needed in 1989 to moderate the impact of reappraisal of real estate. This is even more important now that the voters have adopted the constitutional exemption of inventories and livestock beginning in 1989.

If the Committee should seriously consider recommending HB 2206 for passage, we must request that you also recommend that

Page 3  
KLPG Testimony

the State assume full responsibility for financing the district courts. Such a measure would probably cost less than the equivalent of two percent ( $8\% \times .25$ ) of sales tax receipts.

Thank you for your consideration.



# League of Kansas Municipalities

**PUBLISHERS OF KANSAS GOVERNMENT JOURNAL/112 WEST SEVENTH ST., TOPEKA, KANSAS 66603/AREA 913-354-9565**

TO: House Committee on Appropriations  
RE: HB 2206 -- Local Revenue Sharing Cutback  
FROM: E. A. Mosher, Executive Director  
DATE: February 23, 1987

My name is E. A. Mosher, Executive Director of the League of Kansas Municipalities, appearing in opposition to HB 2206, pursuant to policy actions taken by the League Governing Body and the League committees on finance and taxation and on state legislation. In brief, HB 2206 provides for a permanent 25% reduction in local sharing of state sales and compensating use tax revenue. It is distinctively different, and in our judgment more onerous, than HB 2065 introduced earlier by this Committee, which provides for a one time freeze of the amounts distributed through the city and county revenue sharing fund and the local advalorem tax reduction fund.

The passage of HB 2206 would represent a fundamental, and to us unfortunate, departure from Kansas traditions and state-local fiscal relations. To understand this thesis, perhaps a brief review of the two programs is needed.

The local ad valorem tax reduction fund (LATRF) receives revenue equal to 4½% of state sales and compensating use tax collections. The LATRF money is first distributed to county treasurers, based 65% on population and 35% on assessed valuation. The county treasurer then distributes the amount received to the several taxing subdivisions within the county on the basis of relative property taxes levied the previous year, excluding state taxes and school district taxes. One-half is paid on January 15 and one-half on July 15. Approximately 4,000 governmental units in Kansas receive a share of the LATRF money for property tax reduction.

Some local sharing of retail sales tax revenue has been a feature of state law since the sales tax was first enacted a half century ago. The LATRF fund was changed from a \$12.5 million annual total to 10% of the total of retail sales and compensating taxes in 1970 (Ch. 389). In 1973, the 10% total was reduced to 4.5% as a result of the revision in the School District Equalization Act (Ch. 292). At that time, it was estimated that school districts were receiving about 5.5% of the LATRF distributions. With this change, which was essentially a bookkeeping change, the basic revenue sharing concept has continued.

The county and city revenue sharing fund is financed by 3½% of state sales taxes, and is apportioned to each county area based 65% on population and 35% on assessed valuation. The amount apportionable to each county area is then paid 50% to the cities based on population and 50% to the county government. Payments are made on July 15 and December 10. There are 105 counties and 627 cities which receive money from this revenue sharing fund.

This revenue sharing fund was enacted in 1978 as a trade-off for the discontinuation of city and county sharing in the revenue from the state cigarette tax and the liquor enforcement tax. At the time the adjustment was made, the 3½% share was approximately equal to the amount of dollars paid to cities and counties from the two tax funds. Establishment of the new revenue sharing fund followed many years of Kansas traditions in sharing the cigarette and liquor enforcement tax revenue.

We hear comments in the hallways, and elsewhere, that HB 2206 is not really a cut-back but simply an elimination in local sharing of the revenue from the new 1¢ statewide sales tax. The bill itself attempts to reinforce this approach, by restricting the 4½ and 3½% shares to "3/4 of the total. . ." We call to your attention that 4½% of 3/4 is 3.375%, while 3½% of 3/4 is 2.625%. The current 8% total for the two programs is thus cut to 6%, and this is a 25% reduction, no matter how you cut it.

We assume that each member of this Committee, and each member of the legislature, were well aware last session that the 1¢ sales tax increase involved continued local sharing. I can vouch for the fact that Governor Carlin knew it when he advocated the increase -- it was part of the Governor's program. I can also testify that there were at least some state legislators who reported their acceptance of the 1¢ tax increase only with the understanding that local units would receive some sharing of the revenue.

In summary of this part of my remarks relating to policies and principles, I simply note that HB 2206 is a departure from Kansas traditions and state-local fiscal relations.

Some observations about the fiscal effect of the bill, and on state-local fiscal relations, also seem important to this discussion. We are well aware of the problem with the state general fund balance, and the reductions that have been made and continue to be made in state general fund appropriations, including aid for education. There is, in our judgment, a distinctive difference between revenue sharing programs and state appropriation and grant programs. Revenue sharing expenditures go up or down with the revenue, not with the level of appropriations. They do not, in fact, eat into the moneys available for other purposes since they are a fixed percentage.

Cutting back on local sharing of state sales tax collections implies, at least to us, that Kansas local governments do not have a fiscal problem! In our view, the same kinds of forces and factors that affects the state general fund balance is equally pervasive on the local level.

We call to your attention that many local units are experiencing declines in their local property tax base. Of the 627 cities in Kansas, 45.6% had a smaller tax base in 1986 than they did in 1985, a trend we think will continue as to assessments as of last January 1.

Another indicator is local sales tax collections. This is illustrated by comparing July - December collections in 1986 versus those in 1985. The county-wide collections were down for 74.5% of the counties with comparable data. The collections were down in 60.4% of the cities with comparable data. State-wide, total local sales tax collections are increasing, as are state sales tax collections. Some local units have experienced growth in commercial activity, but most have not. If you exclude the Johnson County countywide tax, and the city-levied tax of the four Johnson County cities of Lenexa, Merriam, Olathe and Overland Park, the receipts of all of the other local units for which comparable data is available, during this six months period, declined by \$1.6 million, an average decrease of 3.3%

One further fiscal factor needs mentioning--the termination of federal general revenue sharing. Last year, Kansas local units received \$34.7 million from the federal general revenue sharing, a drop from \$38.3 million for calendar 1985. This program has been discontinued, as you know. Last session there were at least some legislators who were well aware of the extreme probability that federal revenue sharing would be discontinued, and noted the fact that the continued 8% sharing of state sales tax collections from the new 1¢ tax would help soften the blow to local units and local taxpayers.



In your consideration of this matter, we would urge you to look at the annualized impact of HB 2206. We do not have any quarrels with the figures prepared by the Legislative Research Department or the Office of State Treasurer, but emphasize the significant difference between the state's fiscal year and the local calendar year. The Research Department's memo shows that the state FY 1988 impact of HB 2206 would be a total of \$4,190,000, for the LATRF fund. The county and city revenue sharing change would not have any impact on the general fund for FY 1988, because of the distribution dates. But from the local government viewpoint, which budget on a calendar year basis, the story is different. Sales and use tax collections for calendar 1987 are estimated at approximately \$740 million. The difference between 8% and 6% of this total is \$14.8 million. This approximately \$15 million local loss, of course, will increase or decrease depending on total sales tax collections. Interestingly, the loss in local revenue would be approximately half the loss in federal general revenue sharing.

Finally I would conclude by observing that the League and its member cities are concerned about strengthening the state local partnership--we serve the same constituency. We are also concerned about improving the state-local fiscal partnership, and have had as a long term objective the increase in state revenue sharing from the current 8% to a total of 10%. As we review both local and state fiscal conditions, and as we predict the future impact of property classification and reappraisal, we suggest that now is not the time to pass HB 2206.

ESTIMATED ANNUALIZED LOSS OF REVENUE  
TO LOCAL GOVERNMENTS UNDER HB 2206

Presented on the following page are estimates of the fiscal impact of HB 2206 on an annual, calendar year basis. It assumes that total collections from state sales and use taxes will amount to \$740 million in calendar 1987 (compared to the estimated \$726 million for FY 1987 and \$751 million for FY 1988).

Under HB 2206, the amount of local sharing under the local ad valorem tax reduction fund (LATRF) is changed from 4.5% to 3.375%, a reduction of 1.125%, which is equal to \$8,325,000 of the estimated \$740 million total. The reduction for the county and city revenue sharing fund is from 3.5% to 2.625%, a reduction of .875%, which is equal to \$6,475,000 of the estimated total of \$740 million. The grand total annualized reduction of \$14,800,000 is equal to 2% of collections, the result of reducing the total sharing from 8% to 6%.

The figures are on a county area basis. The LATRF loss would be distributed to all taxing units within the county, except school districts, on the basis of relative property taxes. The county area revenue sharing amount is paid half to the county government and half to cities therein, based on population.

The county area figures were prepared by using actual distributions made in calendar 1986 by the State Treasurer. In other words, it is assumed that a county which received 1.0% of the total fund in 1986 will suffer 1.0% of the total loss in 1988.

COUNTY	LAVTRF LOSS	REVENUE SHARING LOSS	TOTAL LOSS
ALLEN	51,833	40,137	91,970
ANDERSON	29,171	22,891	52,062
ATCHISON	56,747	40,487	97,234
BARBER	36,499	28,610	65,110
BARTON	134,119	99,716	233,835
BOURBON	48,948	36,787	85,735
BROWN	38,900	28,765	67,665
BUTLER	150,817	119,986	270,803
CHASE	14,121	10,778	24,899
CHAUTAUGUA	17,798	13,631	31,429
CHEROKEE	64,863	49,504	114,367
CHEYENNE	15,037	11,294	26,331
CLARK	18,766	14,454	33,220
CLAY	32,141	24,291	56,431
CLOUD	42,374	30,828	73,202
COFFEY	139,256	109,688	248,944
COMANCHE	15,080	11,419	26,500
COWLEY	118,008	92,167	210,176
CRAWFORD	106,306	81,434	187,741
DECATUR	18,724	14,116	32,840
DICKINSON	66,295	48,647	114,942
DONIPHAN	28,861	21,341	50,202
DOUGLAS	203,352	161,800	365,152
EDWARDS	19,951	15,068	35,019
ELK	14,220	10,670	24,890
ELLIS	102,265	81,420	183,685
ELLSWORTH	30,828	22,987	53,815
FINNEY	131,992	103,931	235,924
FORD	88,801	69,201	158,002
FRANKLIN	65,659	51,187	116,846
GEARY	76,123	63,389	139,512
GOVE	19,018	14,418	33,436
GRAHAM	23,318	17,733	41,051
GRANT	58,380	44,703	103,083
GRAY	23,654	18,275	41,929
GREELEY	14,646	11,068	25,713
GREENWOOD	32,866	24,924	57,790
HAMILTON	16,126	11,902	28,028
HARPER	37,624	28,797	66,421
HARVEY	95,701	75,199	170,900
HASKELL	32,977	25,261	58,238
HODGEMAN	14,367	10,791	25,158
JACKSON	34,252	26,114	60,367
JEFFERSON	45,038	36,181	81,220
JEWELL	19,080	13,923	33,002
JOHNSON	904,294	732,586	1,636,879
KEARNEY	48,694	38,090	86,784
KINGMAN	44,699	33,612	78,311
KIOWA	26,098	19,939	46,037
LABETTE	75,449	58,327	133,775
LANE	18,089	13,674	31,762
LEAVENWORTH	153,872	123,261	277,132
LINCOLN	16,875	12,255	29,130
LINN	49,138	37,933	87,071

COUNTY	LAVTRF LOSS	REVENUE SHARING LOSS	TOTAL LOSS
LOGAN	15,776	11,908	27,684
LYON	110,581	87,682	198,263
MARION	49,467	35,310	84,776
MARSHALL	42,534	32,226	74,759
MCPHERSON	101,112	79,271	180,383
MEADE	34,254	26,144	60,397
MIAMI	67,656	52,697	120,353
MITCHELL	27,155	20,722	47,877
MONTGOMERY	127,790	96,904	224,695
MORRIS	23,545	17,589	41,133
MORTON	38,915	30,154	69,069
NEMAHA	38,287	28,630	66,917
NEDSHO	58,537	46,280	104,817
NESS	28,224	21,705	49,929
NORTON	22,835	17,103	39,938
OSAGE	45,868	37,119	82,987
OSBORNE	21,748	16,180	37,928
OTTAWA	23,227	17,453	40,680
PAWNEE	31,864	24,784	56,647
PHILLIPS	30,034	22,216	52,249
POTTAWATOMIE	98,008	77,430	175,438
PRATT	45,876	36,434	82,310
RAWLINS	18,112	13,727	31,838
RENO	210,102	161,017	371,118
REPUBLIC	26,586	19,506	46,092
RICE	51,155	39,120	90,274
RILEY	150,766	133,579	284,344
ROOKS	40,146	30,741	70,887
RUSH	21,599	16,111	37,709
RUSSELL	44,744	34,321	79,065
SALINE	152,934	118,722	271,656
SCOTT	24,299	17,801	42,101
SEDGWICK	1,174,407	934,881	2,109,288
SEWARD	78,136	61,023	139,159
SHAWNEE	511,562	375,974	887,536
SHERIDAN	15,074	11,327	26,401
SHERMAN	28,706	21,186	49,892
SMITH	21,013	15,428	36,441
STAFFORD	30,454	23,275	53,729
STANTON	20,845	15,836	36,681
STEVENS	65,302	50,666	115,968
SUMNER	80,738	62,994	143,732
THOMAS	34,528	27,123	61,650
TREGO	22,311	17,078	39,389
WABAUNSEE	23,547	18,067	41,614
WALLACE	9,804	7,406	17,211
WASHINGTON	30,434	22,473	52,907
WICHITA	14,861	10,880	25,741
WILSON	38,978	29,407	68,385
WOODSON	18,064	13,805	31,869
WYANDOTTE	500,390	376,000	876,389
	8,325,000	6,475,000	14,800,000

DRAFT BILL NO. \_\_\_\_\_

## For Consideration by Committee on Appropriations

AN ACT making certain transfers of moneys from the state general fund subject to appropriation acts; amending K.S.A. 79-2959, 79-2964, 79-3425e and 79-34,147 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 79-2959 is hereby amended to read as follows: 79-2959. (a) There is hereby created the local ad valorem tax reduction fund. All moneys transferred or credited to such fund under the provisions of this act or any other law shall be apportioned and distributed in the manner provided herein.

(b) On January 15 and on July 15 of each year, the director of accounts and reports shall make transfers in equal-amounts ~~which-in-the-aggregate-equal-4-1/2%--of--the--total~~ the amounts prescribed by appropriation act of the retail sales and compensating taxes credited to the state general fund pursuant to articles 36 and 37 of chapter 79 of Kansas Statutes Annotated and acts amendatory thereof and supplemental thereto ~~during--the preceding--calendar-year~~ from the state general fund to the local ad valorem tax reduction fund.

(c) The state treasurer shall apportion and pay the amounts transferred under subsection (b) to the several county treasurers on January 15 and on July 15 in each year as follows: (1) Sixty-five percent of the amount to be distributed shall be apportioned on the basis of the population figures of the counties certified to the secretary of state pursuant to K.S.A. 11-201 and amendments thereto on July 1 of the preceding year; and (2) thirty-five percent of such amount shall be apportioned on the basis of the equalized assessed tangible valuations on the

tax rolls of the counties on November 1 of the preceding year as certified by the director of property valuation.

(d) On June 17, 1983, the director of accounts and reports shall transfer from the state general fund to the local ad valorem tax reduction fund the amount certified by the state board of education as the total of all amounts received by community colleges and municipal universities under K.S.A. 79-2961 and amendments thereto from the payments made from the local ad valorem tax reduction fund on January 15, 1983. On June 17, 1983, the state treasurer shall apportion and pay the amount transferred under this subsection to the county treasurers of those counties which distributed money to one or more community colleges or municipal universities, or both, under K.S.A. 79-2961 and amendments thereto from the payments made from the local ad valorem tax reduction fund on January 15, 1983. The amount paid on June 17, 1983, to each such county from the local ad valorem tax reduction fund under this subsection shall bear the same proportion to the total amount paid to all such counties on June 17, 1983, that the total amount received by community colleges and municipal universities in such county under K.S.A. 79-2961 and amendments thereto from the payment made to such county on January 15, 1983, bears to the total amount received by community colleges and municipal universities in all such counties under such statute from such payment.

Sec. 2. K.S.A. 79-2964 is hereby amended to read as follows: 79-2964. There is hereby created the county and city revenue sharing fund. All moneys transferred or credited to such fund under the provisions of this act or any other law shall be allocated and distributed in the manner provided herein. On July 15 and December 10 of each year, the director of accounts and reports in each year on July 15 and December 10, shall make transfers in equal amounts which in the aggregate equal  $3\frac{1}{2}\%$  of the total the amounts prescribed by appropriation act of the retail sales and compensating taxes credited to the state general fund pursuant to articles 36 and 37 of chapter 79 of the Kansas

Statutes Annotated and acts amendatory thereof and supplemental thereto during the preceding calendar year from the state general fund to the county and city revenue sharing fund.

Sec. 3. K.S.A. 79-3425e is hereby amended to read as follows: 79-3425e. ~~On July 15, 1980, and the fifteenth day of January and the fifteenth day of July of each year thereafter~~ On January 15 and July 15 of each year, the director of accounts and reports shall transfer ~~a sum equal to the total~~ the amount prescribed by appropriation act of the taxes collected under the provisions of K.S.A. 79-6a04 and 79-6a10 and amendments thereto and credited to the state general fund ~~during the six months next preceding the date of transfer~~, from the state general fund to the special city and county highway fund, created by K.S.A. 79-3425 and amendments thereto. ~~No transfer under this section shall be considered to be an expenditure or demand transfer for the purposes of sections 1 to 5, inclusive, of 1979 Substitute for House Bill No. 2623.~~

Sec. 4. K.S.A. 79-34,147 is hereby amended to read as follows: 79-34,147. ~~(a) The secretary of revenue shall certify daily to the director of accounts and reports the amount equal to 9.19% of the total revenues received by the secretary from the taxes imposed under the Kansas retailers' sales tax act and deposited in the state treasury and credited to the state general fund on the next preceding day that such revenues were so received and deposited.~~ ~~(b) Upon receipt of each certification under subsection (a)~~ On July 1, October 1, January 1 and April 1 of each year, the director of accounts and reports shall transfer the amounts prescribed by appropriation act of the taxes collected under the Kansas retailers' sales tax act and credited to the state general fund during the preceding fiscal year from the state general fund to the state highway fund ~~the amount computed as follows:~~

~~(1) During the fiscal year ending June 30, 1984, the amount equal to 5/42 of the amount so certified;~~

~~(2) during the fiscal year ending June 30, 1985, the amount~~

equal-to-10/42-of-the-amount-so-certified;

(3)--during-the-fiscal-year-ending-June-30,-1986,-the-amount  
equal-to-15/42-of-the-amount-so-certified;

(4)--during-the-fiscal-year-ending-June-30,-1987,-the-amount  
equal-to-20/42-of-the-amount-so-certified;

(5)--during-the-fiscal-year-ending-June-30,-1988,-the-amount  
equal-to-25/42-of-the-amount-so-certified;-and

(6)--during-the-fiscal-year-ending-June-30,-1989,-and--each  
fiscal--year--thereafter,-the-amount-equal-to-30/42-of-the-amount  
so-certified.

Sec. 5. K.S.A. 79-2959, 79-2964, 79-3425e and 79-34,147 are  
hereby repealed.

Sec. 6. This act shall take effect and be in force from and  
after its publication in the statute book.