

Approved Wednesday, May 15, 1991
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Senator Dan Thiessen at
Chairperson

11:00 a.m./~~p.m.~~ on Monday, April 8, 1991 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Don Hayward, Assistant Revisor

Bill Edds, Assistant Revisor

Tom Severn, Research Department

Chris Courtwright, Research Department

Judy Krase (tape recording) for Marion Anzek, Committee Secretary (in absentia)

Conferees appearing before the committee:

Charles Warren, President, Kansas Inc.

Mark Tallman, Coordinator of Governmental Relations, KS Association of School Boards

Chairman Dan Thiessen called the meeting to order at 11:18 a.m. and said we would work on HB2031 The income and privilege tax rate increase bill, and he asked Chris Courtwright to brief the committee on the bill.

HB2031:AN ACT relating to taxation; concerning individual and corporation income tax rates and financial institution privilege tax rates; concerning personal exemption and standard deduction amounts of individuals; exempting military retirement benefits from income taxation (providing for the disposition of certain state revenue source enhancements; establishing the state school district finance fund).

Chris Courtwright said he had passed a copy of the Supplemental Note On Substitute For HB2031 and also a handout for fiscal notes. (ATTACHMENTS 1 and 2) He briefed and explained the Supplemental Note on HB2031 and said he was sure it had been (2) or (3) years since some of us have looked closely at the income tax tables.

He said HB2031 would make a number of changes in the Kansas individual income tax and would increase corporation income taxes and financial institution privilege taxes. All of the changes would be effective for tax year 1991.

He explained what the changes in the bill would be on **Individuals, Joint Filers, Single Filers, Both Joint and Single Filers** and he said, the bill also would exempt military retirement income from the individual income tax.

He said, the Department of Revenue estimates that the combined fiscal impact of the individual income tax provisions on tax year 1991 liability would be approximately \$100.6M. Mr. Courtwright went on to explain **Corporations, Financial Institutions, Combined Fiscal Impact and Proposed Dedication of Revenues**. He said the bill also would establish a new fund, the State School District Finance Fund (SSDFF), into which \$122.M would be transferred annually from the SGF beginning in FY 1993. Amounts appropriated by the Legislature from the SSDFF would be used to supplement other appropriations for school districts.

He gave the background of the bill: As introduced HB2031 dealt only with excluding military retirement income from taxation. The substitute bill retains that exclusion and adds the other changes summarized above.

The substitute bill recommended by the House Committee on Taxation would have increased the surtax for both banks and savings and loans to 3.95%. A House Committee of the Whole amendment changed the surtax to 3.4%.

He said another House Committee of the Whole amendment created the SSDFF and provided for the annual \$122.M transfer beginning in FY 1993.

Chris Courtwright turned attention to (ATTACHMENT 2) Corporate Income Tax Liability Returns Processed in 1990 prepared by the Department of Revenue. He explained to the members how to interpret the tables on Tax Liability, Returns, Current Law, Proposed, Difference and the Dollar Change per Return. He said, this Attachment shows how many returns were processed in 1990 for Corporate Income Tax Liability, Bank Privilege Tax Liability and Savings and Loan Privilege Tax Liability.

After committee discussion on the Brief As Amended by the House Committee of the Whole and Income Tax Liabilities The Chairman recognized Charles Warren, President, Kansas Inc.

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./~~p.m.~~ on Monday, April 8, 1991

Charles Warren said he would like to inform the committee about tax rates in their region, so the committee members can compare the tax rates that are incorporated in HB2031 with other states. He said their strategy for economic development rejects the philosophy of competing on the basis of low taxes. He said they believe quality public services are more important. He said, their objective is to neutralize the tax issue, by having a tax structure that is neither the lowest nor the highest of our surrounding states, and they prefer to emphasize their other assets, particularly their skilled and productive work force.

He said, the corporate income tax rate is 6% of state revenues on average in the states in our region. In KS 8% of state revenues are derived from the corporate income tax. He said on a per capita basis the KS average from corporate income tax is slightly less than \$80; the highest in our region. He said, Iowa is 2nd highest at \$60 per capita. (ATTACHMENT 3) His handout includes Table 2-State Corporate Income Tax Rates, Federal Deductibility and Effective Tax Rates, A Chart-showing Corporate Income Tax per capita Corp. Tax, and Table 1, Individual Income Tax compared with surrounding states.

Mark Tallman, Coordinator of Governmental Relations, KS Association of School Boards said, they support Substitute HB2031 as part of a comprehensive plan to address state tax and school funding issues.

He said, 1st over the last ten years, USD operating budgets increased about 112%-exactly the same rate as state general fund expenditures (excluding capital improvements). At the same time, general state aid and the income tax rebate increased only 108%.

2nd, he said KS schools spend less per pupil than the national average, and receive a lower % of their budgets from the state. However, the KS high school graduation rate is almost 10 points above the national average, and our students score above the national average of standardized test scores like the ACT and SAT.

3rd he said, KASB agrees that our schools must do better, Far from opposing school improvement proposals, we have supported most "reform" measures introduced in this legislature.

He urged the committee to approve revenue measures that will address the issues he addressed to the committee. (ATTACHMENT 4) Attached to his handout is a Governmental Relations Issue Paper by KS Association of School Boards.

After committee discussion The Chairman said we will continue these hearings tomorrow and he adjourned the meeting at 12:07 p.m.

GUEST LIST

COMMITTEE: SENATE
ASSESSMENT & TAXATION

DATE: APRIL 8, 1991

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
BOB GRANT	TOPEKA	KCCJ
Bob Corkins	Topeka	KCCI
Jim McBride	TOPEKA	observer
R. ANDERSON	OTTAWA	Mrs. Gert O'G
Alan Steppat	Topeka	Pete McGill & Associates
George Barber	George Barber	K's Consulting Engne.
Bernie Koch	Wichita	Wichita Area Chamber
Christy Young	Topeka	Topeka Chamber of Com.
Mark Tallman	Topeka	KASIS
Kim (Mrs)	11	KNEA
Art Brown	1000	1st. Lumber dealer 1886
JANET STUBBS	Topeka	HTBAK
FRANCES KASNER	topeka	Ks Food Dealers Assn
Dan Haas	TOPEKA Overland Park	KCPK
Jacque Oakes	Topeka	SQF
Wendell STROM	Topeka	AARP - CCTF
Gerry Ray	Olathe	Johnson Co Commission
Elwaine F. Pomeroy	Topeka	Ks Collectors Assn
Jim Lumley	Topeka	KPL Gas Service
Harriet Lange	"	KAB
Ed Schaub	"	KPL
Warren Taker	Manhattan	Ks. Farm Bureau
Mike Culbertson	Wichita	Ks. Credit Union League
DORANE MCHTINGALE	TOPEKA	NE Kansas C. U.
Sue Shelby	Topeka	Wheat & Beer

GUEST LIST

COMMITTEE: SENATE ASSESSMENT & TAXATION

DATE: APRIL 8, 1991 page 2

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Jirel Wright	Topeka	KCUA
Lucky Detriec	"	Martin Tractor, Colgate Kan. Apt. Assoc.
DENNY KOCH	"	SW BELL TEL
John D McNeal	Topeka	Self
Nancy McNeal	"	KC Bankers Assn
JEFF SONNICH	TOPEKA	KNLS I
KAREN FRANCE	TOPEKA	KAR
JIM TURNER	TOPEKA	KNLS I
TRIEVA POTTER	"	PEOPLES NAT. GAS
MARY E. TURKINGTON	"	Ks. Motor Carriers Assn.
Tom Whitaker	"	Ks. Motor Carriers Assn.
Jim May	"	KBA
Chuck Stoner	"	"
Pat Higgins	"	Gov. Office - Leg. Affairs
Terry Gray	Meriden	Revenue
GERALD HENDERSON	Topeka	USA of KS
MARK A. BURGHART	TOPEKA	REVENUE
Steve Stotts	"	"
Charles Warren	Topeka	KANSAS INC.
Mike Reese	"	ATL
Chuck Stewart	Topeka	U.S.A.

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SESSION OF 1991

SUPPLEMENTAL NOTE ON
SUBSTITUTE FOR HOUSE BILL NO. 2031

As Amended by House Committee of the Whole

Brief*

Sub. H.B. 2031 would make a number of changes in the Kansas individual income tax and would increase corporation income taxes and financial institution privilege taxes. All of the changes would be effective for tax year 1991.

Individuals. The bill would increase rates for joint and single filers paying under either the federal income tax deductible or nondeductible optional rates. Under current law, 94 percent of all taxpayers elect to pay under the nondeductible rates, according to the Department of Revenue.

For joint filers using the nondeductible rates, the application of the lowest (3.65 percent) rate bracket would be narrowed from taxable income up to \$35,000 under current law to taxable income of up to \$25,000. Taxable income from \$25,000 to \$50,000 would be taxed at 5.25 percent under the bill, and taxable income above \$50,000 would be taxed at 7 percent. Under current law, all taxable income above \$35,000 is taxed at 5.15 percent.

For single filers using the nondeductible rates, the application of the lowest (4.5 percent) rate bracket would be narrowed from taxable income of up to \$27,500 under current law to taxable income of up to \$20,000. Taxable income from \$20,000 to \$30,000 would be taxed at 5 percent under the bill, and taxable income above \$30,000 would be taxed at 8 percent. Under current law, all taxable income above \$27,500 is taxed at 5.95 percent.

For both joint and single filers using the deductible rates, rates for all brackets except the lowest would be increased. Under current law, the top rate for both joint and single filers using the deductible rates is 8.75 percent. Under the bill, the top rate for both types of filers would be 12 percent.

The bill also would conform prospectively Kansas' personal exemptions and standard deductions to the federal amounts, starting in tax year 1991. Although Kansas was in conformity with the federal amounts after the enactment of state

* Supplemental Notes are prepared by the Legislative Research Department and do not express legislative intent.

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tax reform legislation in 1988, the state did not conform to the federal indexing of these amounts.

The bill also would exempt military retirement income from the individual income tax.

The Department of Revenue estimates that the combined fiscal impact of the individual income tax provisions on tax year 1991 liability would be approximately \$100.6 million.

Corporations. Under current law, corporations pay a base rate of 4.5 percent on taxable income up to \$25,000 and a surtax of 2.25 percent on taxable income above that amount, creating a top combined rate of 6.75 percent. Sub. H.B. 2031 would lower the base rate to 4 percent, increase the surtax to 3.95 percent (creating a top combined rate of 7.95 percent), and increase the level at which the surtax becomes effective to \$50,000 of taxable income. The Department of Revenue estimates that these provisions would combine to increase liability by approximately \$15.1 million.

Financial Institutions. Under current law, banks pay a base rate of 4.25 percent on taxable income up to \$25,000 and a surtax of 2.125 percent on taxable income above that amount, creating a top combined rate of 6.375 percent. Savings and loans pay under a base rate and surtax identical to those applicable to corporations. Sub. H.B. 2031 would lower the base rate to 4 percent for both banks and savings and loans, increase the surtax to 3.4 percent (creating a top combined rate of 7.4 percent), and increase the level at which the surtax becomes effective to \$50,000 of taxable income. The Department of Revenue estimates that these provisions would combine to increase liability by approximately \$3.9 million.

Combined Fiscal Impact. SGF receipts would be expected to increase by approximately \$119.6 million in FY 1992.

Proposed Dedication of Revenues. Additional language indicates that the new revenues raised by the bill should be used to reduce the reliance of school districts on property taxes. Unless another bill is enacted changing the income tax rebate to school districts, they would receive 24 percent of the additional individual income tax revenue attributable to Kansas residents.

The bill also would establish a new fund, the State School District Finance Fund (SSDFF), into which \$122 million would be transferred annually from the SGF beginning in FY 1993. Amounts appropriated by the Legislature from the SSDFF would be used to supplement other appropriations for school districts.

Background

As introduced, H.B. 2031 dealt only with excluding military retirement income from taxation. The substitute bill retains that exclusion and adds the other changes summarized above.

The substitute bill recommended by the House Committee on Taxation would have increased the surtax for both banks and savings and loans to 3.95 percent. A House Committee of the Whole amendment changed the surtax to 3.4 percent.

Another House Committee of the Whole amendment created the SSDFF and provided for the annual \$122 million transfer beginning in FY 1993.

Kansas Department of Revenue

Bank Privilege Tax Liability
Returns Processed in 1990

Banks	
Proposal #1	Proposal #2
2.125%	3.40%
\$25,000	\$50,000
4.25%	4.00%

	Net Taxable Income	Returns	Current Tax Liability	Proposed Tax Liability
No Tax		97		
\$0 - \$5	\$6,188	2	\$262.99	\$247.52
\$5 - \$10	\$19,647	3	\$835.00	\$785.88
\$10 - \$15	\$107,828	9	\$4,582.69	\$4,313.12
\$15 - \$20	\$36,400	2	\$1,547.00	\$1,456.00
\$20 - \$25	\$87,813	4	\$3,732.05	\$3,512.52
\$25 - \$30	\$108,963	4	\$4,821.39	\$4,358.52
\$30 - \$35	\$61,905	2	\$2,883.94	\$2,476.20
\$35 - \$40	\$146,369	4	\$7,206.02	\$5,854.76
\$40 - \$45	\$255,342	6	\$13,090.55	\$10,213.68
\$45 - \$50	\$239,713	5	\$12,625.45	\$9,588.52
\$50 - \$75	\$1,693,913	27	\$93,643.20	\$79,449.56
\$75 - \$100	\$2,140,544	25	\$123,178.43	\$115,900.26
\$100 - \$500	\$50,408,590	212	\$3,100,922.61	\$3,369,835.66
\$500 - \$1,000	\$70,196,037	103	\$4,420,278.61	\$5,019,406.74
\$1,000 - Over	\$216,395,929	81	\$13,752,209.22	\$15,875,598.75
	\$341,905,181	586	\$21,541,819	\$24,502,998

	Returns	Current Law Tax Liability	Proposed Tax Liability	Difference	Dollar Change Per Return
No Taxable Income	97	\$0	\$0	\$0	\$0
\$0 - \$25,000	20	\$10,960	\$10,315	(\$645)	(\$32)
\$25,000 - \$50,000	21	\$40,627	\$32,492	(\$8,136)	(\$387)
\$50,000 - \$100,000	52	\$216,822	\$195,350	(\$21,472)	(\$413)
0,000 - Over	396	\$21,273,410	\$24,264,841	\$2,991,431	\$7,554
Total	489	\$21,541,819	\$24,502,998	\$2,961,179	\$6,056

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Kansas Department of Revenue

Savings and Loan Privilege Tax Liability
Returns Processed in 1990

Savings and Loan Proposal #2	
2.250%	3.40%
\$25,000	\$50,000
4.50%	4.00%

	Net Taxable Income	Returns	Current Tax Liability	Proposed Tax Liability
No Tax		34		
\$0 - \$5	\$0	0	\$0.00	\$0.00
\$5 - \$10	\$9,778	1	\$440.01	\$391.12
\$10 - \$15	\$0	0	\$0.00	\$0.00
\$15 - \$20	\$0	0	\$0.00	\$0.00
\$20 - \$25	\$24,511	1	\$1,103.00	\$980.44
\$25 - \$30	\$0	0	\$0.00	\$0.00
\$30 - \$35	\$33,651	1	\$1,708.94	\$1,346.04
\$35 - \$40	\$0	0	\$0.00	\$0.00
\$40 - \$45	\$0	0	\$0.00	\$0.00
\$45 - \$50	\$47,993	1	\$2,677.03	\$1,919.72
\$50 - \$75	\$57,890	1	\$3,345.08	\$2,583.86
\$75 - \$100	\$169,733	2	\$10,331.98	\$9,160.24
\$100 - \$500	\$1,578,757	6	\$103,191.10	\$106,628.02
\$500 - \$1,000	\$2,319,359	3	\$154,869.23	\$166,532.57
\$1,000 - Over	\$133,914,126	13	\$9,031,891.01	\$9,887,545.32
	\$138,155,798	63	\$9,309,557	\$10,177,087

	Returns	Current Law	Proposed	Difference	Dollar Change Per Return
No Taxable Income	34	\$0	\$0	\$0	\$0
\$0 - \$25,000	2	\$1,543	\$1,372	(\$171)	(\$86)
\$25,000 - \$50,000	2	\$4,386	\$3,266	(\$1,120)	(\$560)
\$50,000 - \$100,000	3	\$13,677	\$11,744	(\$1,933)	(\$644)
\$100,000 - Over	22	\$9,289,951	\$10,160,706	\$870,755	\$39,580
Total	29	\$9,309,557	\$10,177,087	\$867,530	\$29,915

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Substitute for House Bill No. 2031
Testimony of
Charles R. Warren, President, Kansas Inc.

Senate Assessment and Taxation Committee
April 8, 1991

I appreciate this opportunity to provide the Committee information from a comparative state perspective about the tax increases proposed in the Substitute for House Bill No. 2031.

I would like to remind the Committee that our strategy for economic development rejects the philosophy of competing on the basis of low taxes. We believe quality public services are more important. Our objective is to neutralize the tax issue, by having a tax structure that is neither the lowest nor the highest of our surrounding states. We prefer to emphasize our other assets, particularly our skilled and productive work force.

The substitute House Bill proposes a corporate income tax rate of 7.95% for incomes above \$50,000. At this rate, Kansas would have the highest corporate income taxes at that level of income of all our surrounding states. Only Iowa currently has a higher rate, but at incomes over \$150,000.

The marginal adjusted rates for neighboring states, accounting for federal income tax deductions, are shown in an attached table.

The rates at the highest income levels are:

Colorado:	above \$50,0000	6%
Missouri:	above \$335,000	4.3%
Nebraska:	above \$50,000	6.65%
Iowa:	above \$250,000	10.0%
Oklahoma:	flat rate	5.0%

The individual income tax rates proposed in the bill would also put Kansas out of line with neighboring states. An 8.0% tax on single individuals would give Kansas the highest income tax rate in our region. Currently, Iowa has the highest adjusted rate at 7.19%.

The corporate income tax rate is 6% of state revenues on average in the states in our region. In Kansas, 8% of state revenues are derived from the corporate income tax. Our recent tax study by the University of Kansas found that on a per capita basis the Kansas average from corporate income tax is slightly less than \$80; the highest in our region. Iowa is second highest at \$60 per capita.

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**Table 2
State Corporate Income Tax Rates,
Federal Deductibility, and Effective Tax Rates**

State	Statutory Rates	Marginal Adjusted Rates ¹	Federal Deductibility
Colorado	For FY 1987-1988: First \$50,000 -- 5.5% Excess of \$50,000 -- 6% Beginning in FY 1989: a flat rate of 5% will be phased in, fully effective July 1, 1993.	5.5% 6.0% 5.0%	No
Iowa	First \$25,000 -- 6% Next \$75,000 -- 8% Next \$150,000 -- 10% Over \$250,000 -- 12%	5.0% 6.6% 8.3% 10.0%	50% of federal income tax is deductible
Kansas	First \$25,000 -- 4.5% Over \$25,000 -- 6.75%	4.5% 6.75%	No
Missouri	Flat 5% ² Effective Jan. 1, 1990- Dec. 1991: Less than \$100,000 -- 5% \$100,000-\$335,000 -- 6% More than \$335,000 -- 6.5%	3.3% 3.3% 4.0% 4.3%	100% of federal income tax is deductible
Nebraska	First \$50,000 -- 5.17% Over \$50,000 -- 6.65%	5.17% 6.65%	No
Oklahoma	Flat 5%	5.0%	No

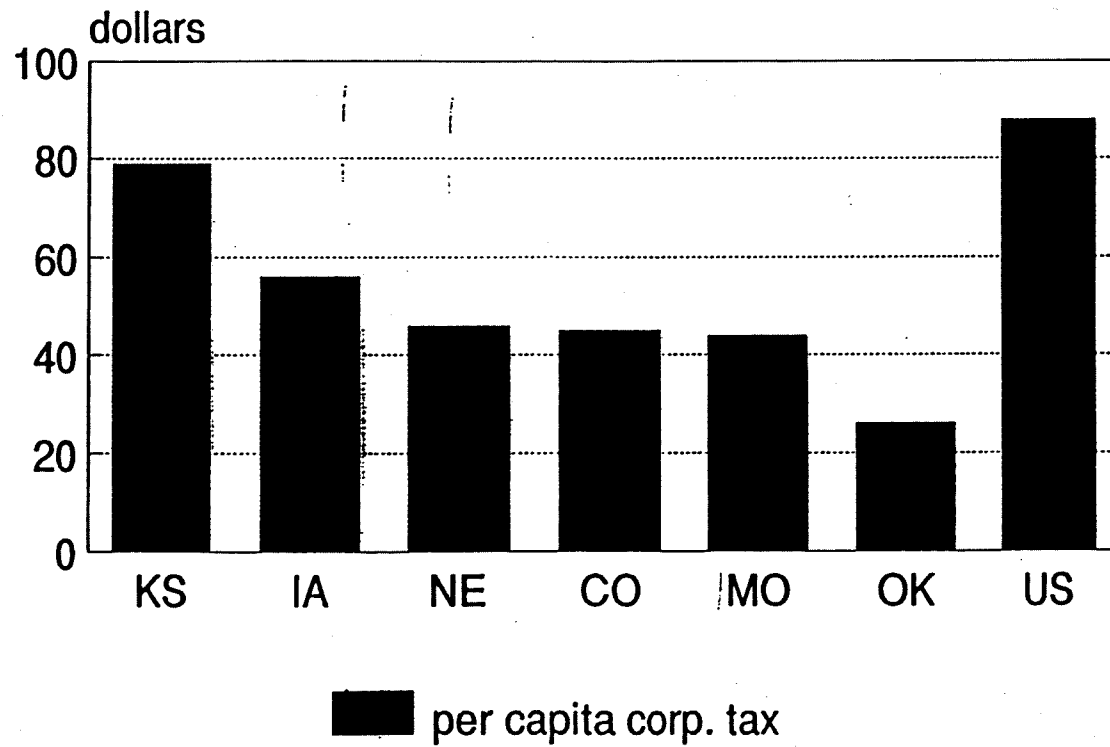
¹ The calculation assumes a marginal federal tax rate of 34%.

MARGINAL ADJUSTED RATE = STATUTORY RATE x (1 - .34 x deductibility fraction).

² Missouri also has a local corporate income tax in the cities of Kansas City and St. Louis. This earnings tax is equal to 1% of net profits from activities in the city.

SOURCES: Information provided by individual state departments of revenue, state statutes, and *All State Tax Guide*, Prentice Hall, 1988.

Corporate Income Tax 1988



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**Table 1
Individual Income Tax**

State	Rates	Federal Deduction	Adjusted Reforms Rate ¹ Since 1986	
Colorado	5% flat rate on taxable income.	No	5%	Yes
Iowa	Graduated in 9 stepped increments from 0.4% to 9.98%. Highest bracket effective at \$45,000.	Yes	7.19%	Yes
Kansas	Choice of two methods. Rates shown for single taxpayers. With no federal deductibility, 3.65% of income less than \$35,000, plus 5.95% of income over \$35,000. With federal deductibility, graduated from 4.75% to 8.75%. Highest tax bracket effective at \$30,000.	Option	6.3% with federal deduction. 5.95% with no deduction.	Yes
Missouri	Graduated in 10 stepped increments from 1.5% to 6%. Highest bracket effective at \$9,000. ²	Yes	4.32%	No
Nebraska	Graduated in 4 stepped increments from 2% to 5.9%.	No	5.9%	Yes
Oklahoma	Choice of two methods. With no federal deductibility, graduated from 0.5% to 6%. Top bracket effective at \$15,000 for married filers, \$7,500 for single. With federal deductibility, graduated from 0.5% to 10%. Top bracket effective at \$23,000 for married filers, \$15,250 for single filers.	Option	7.2% with federal deduction. 6% with no deduction.	No

¹ Adjusted tax rate accounts for federal deduction. It is the rate which would be paid on additional income, calculated assuming that the taxpayer is in the 28% rate bracket for federal income taxes, and in the highest bracket for state taxes.

² Missouri also has an additional local personal income tax in the cities of Kansas City and St. Louis, equal to 1% of earnings.

SOURCES: Information provided by individual state departments of revenue and *State Tax Review*, Commerce Clearing House, 1989.

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS

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

**Testimony on Substitute H.B. 2031
before the
Senate Committee on Assessment and Taxation**

by

**Mark Tallman, Coordinator of Governmental Relations
Kansas Association of School Boards**

April 8, 1991

Thank you for the opportunity to present comments on Substitute H.B. 2031, which we support as part of a comprehensive plan to address state tax and school funding issues.

KASB has established as our highest priorities for the 1991 session the following: restoration of an equalized school finance formula, reduction in property tax reliance, greater tax equity, and real growth in USD budgets. These goals are interrelated; and we believe will require a substantial increase in state revenues to be achieved. No one, including our members, wants to pay more taxes. But we believe these steps are in the best interest of the State of Kansas, and will ultimately be supported by the people of Kansas.

Kansas has wisely placed the administration of its public schools in local school districts and boards that remain close to and accountable to the people. A majority of USD funding comes from local property taxes. However, providing an equal educational opportunity for all Kansas students is ultimately a state responsibility.

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The School District Equalization Act was suspended this year. Failure to equalize school spending and taxation is currently under challenge in court. Whatever the outcome of the several suits, we believe equitable, adequate educational funding is both a moral obligation and a practical necessity. The Senate and House have both passed identical versions of S.B. 26, a school finance formula based on recommendations of the Interim School Finance Committee which we believe will restore - and in fact, improve - the principles of school budget and tax equity in state education funding. However, without substantial additional funding, this plan will result in massive shifts in state aid and mill levies.

Increasing state aid reduces property taxes for schools, which consume the majority of property taxes overall, and address what many Kansans believe is an over-reliance on the property tax. In fact, data indicates that Kansas has a relatively high use of property tax and a relatively low use of income tax, which is relevant for your consideration of H.B. 2031. We contend that an appropriate way to target relief is through the SDEA, which the House did through this bill. Not only does this increase equity, it will tend to increase aid to districts which lost valuation through classification.

In other words, increased state aid through a strengthened SDEA will address three important issues: constitutional school finance, general property tax reduction, and targeted tax relief. We suggest that a minimum benchmark for this effort should be increasing state aid and the income tax rebate to provide 50% of total USD general fund budgets. With funding from this bill, the House version S.B. 70 would provide 48.3%.

Finally, we believe adequate funding must be provided from state and local resources to allow schools to meet the growing demands being imposed upon them. Some have suggested that school budgets should be cut, rather than raising taxes. Others want budget increases tied to school "reform". Still

others blame the education budget for overspending. Several important points should be made.

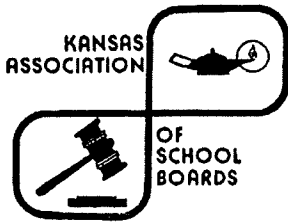
First, over the last ten years, USD operating budgets increased about 112% - exactly the same rate as state general fund expenditures (excluding capital improvements). At the same time, general state aid and the income tax rebate increased only 108%.

Second, Kansas schools spend less per pupil than the national average, and receive a lower percentage of their budgets from the state. However, the Kansas high school graduation rate is almost 10 points above the national average, and our students score above the national average of standardized test scores like the ACT and SAT.

Third, KASB agrees that our schools must do better. Far from opposing school improvement proposals, we have supported most "reform" measures introduced in this legislature. Attached is a position paper outlining school improvement proposals we have endorsed.

The fact is, Kansas schools cannot deal with increasing social, economic and technological pressures with frozen or even reduced budgets; especially with expensive mandates in such areas as special education. Even with budget limits of 1-3%, many districts will not be able to impose the property tax increases needed to fund these increases without additional state aid. The only practical alternative in the short term is cutting staff; and in the longer term, eroding the compensation and working conditions of the professional educators upon whom education improvement rests. No one suggests that American business can restructure to meet the global economic challenge without capital investment. How can we expect schools to restructure without human capital? We do not believe you can starve schools into excellence.

We urge the committee to approve revenue measures that will address the issues I have presented today, and I thank you for your consideration.



GOVERNMENTAL RELATIONS ISSUE PAPER

KANSAS ASSOCIATION OF SCHOOL BOARDS
5401 S.W. 7TH ST., TOPEKA, KANSAS 66606
(913) 273-3600 (800) 432-2471

The Kansas Association of School Boards has endorsed more than a dozen school improvement ideas including most measures proposed in this session of the Kansas Legislature. These are the educational improvement proposals KASB supports.

ACCOUNTABILITY

● Quality Performance Accreditation. This measure--an outgrowth of an outcomes-based accreditation task force--has been approved by the Kansas State Board of Education. It would require all districts to meet performance standards.

Kansas board members support this proposal and believe it is an important step toward holding schools responsible for educating all students.

● Building-Based Education. This bill would award grant money to districts for continuing building-based education pilot projects established in the 1988-89 school year.

Effective schools research supports the concept of allowing principals to be the school's instructional leader and school board members support exploring options for returning basic management decisions to the building level.

● Year-Round Schools. The opportunity for year-round school gives school administrators and school boards greater flexibility in scheduling programs and a more efficient use of school buildings.

SCHOOL READINESS

● At-Risk Preschool. This proposal allows districts to count as part of the enrollment students in at-risk preschool programs.

This improvement measure provides financial incentive for districts to establish these programs. The proposal reflects one national goal for education, that "all children will start school ready to learn."

● Mandatory Kindergarten. This bill requires all schools to provide kindergarten. Although all Kansas schools currently offer kindergarten, the mandate is a symbolic gesture to stress importance of an early start on a child's education and to reflect national education goals.

● Parent Education Program. KASB supports full funding for this program, begun last year, which teaches parents about the development stages of infants through three-year-olds.

INSTRUCTIONAL IMPROVEMENT

● Teacher Excellence Grants. This bill permits school boards to establish awards of up to \$1,000 for teachers who use intellectually challenging instructional strategies.

KASB supports this school improvement effort to reward outstanding teachers.

● Alternative Certification. This bill establishes procedures for receiving certification without a traditional teaching degree.

● Assistant Teachers. The resolution encourages the use of people who have the ability and desire to teach on a part-time basis in areas in which they have special backgrounds.

School board members believe this measure allows them to bring to the classroom those with special knowledge, but without a teacher's certificate.

PARTNERSHIPS/COOPERATION

● Dual Credit. This bill allows students to earn both high school and college credit at the same time.

It expands opportunities available to high school students and allows schools boards to offer more and extended opportunities to students. The bill also strengthens cooperation between high schools and institutions of higher education.

● Cooperative Agreements on Excellence Grants. This bill encourages cooperative agreements between school districts or interlocals to apply for grant money for innovative projects.

This is an efficiency measure designed to provide a financial incentive for school districts to work together on innovative ideas.

● School-Business Partnerships. This resolution encourages districts to develop cooperative partnerships with business.

TECHNOLOGY

● Technology. This resolution urges the state board of education to provide assistance to boards in the area of technology and asks business and industry to support districts that use technology.