

Approved June 11, 1991

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Senator August "Gus" Bogina, Chairperson at 4:12 p.m. on May 1, 1991, in Room 123-S of the Capitol.

All members were present except:

Committee staff present:

Norman Furse, Gordon Self, Revisors' Office
Diane Duffy, Leah Robinson, Kansas Legislative Research Department
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

None

The meeting was called by the Chairman to present an alternate proposal to recommending agency budget cuts. He noted that, according to projections prepared by Legislative Research (Attachment 1), \$32.8 million SGF moneys are unencumbered. Considering the \$58.4 million mandated for SDEA and school related purposes in HB 2122/HB 2428, the state has a shortfall of \$25.6 million. He suggested that by reducing the SDEA currently in SB 70 by \$25.6 million, the individual agency budget cuts could be avoided. That would mean that the amount of general state aid would total \$561.8 million in FY92 rather than \$587.4 million as illustrated in Attachment 2.

Attachment 3 was distributed for the members' information.

Committee members discussed the dilemma involved in making final decisions without knowing whether a tax proposal would be adopted and without knowing how much revenue would be available. Concern was expressed that even if the House and Senate would agree on a tax plan, the Governor had suggested that she would veto it.

In answer to a question, it was stated that 1% across-the-board cuts would equate to \$24.3 million based on the consensus estimate.

Members expressed frustration and different views on how to best balance the budget.

The Chairman adjourned the meeting.

GUEST LIST

COMMITTEE: SENATE WAYS AND MEANS

DATE: May 1, 1991

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
WAYNE K. WIANECKI	TOPEKA	KS. AFSCME
MIKE WOJCIK	"	DOB
Gina McDonald	TOPEKA	KACIK
Marilyn Bradt	Lawrence	KINH
Lyla Pulay	Topeka	ARC/Kansas
Lay Lill	Topeka	KSBFA
Shelene Liddell	Topeka	Senate Office
Bob Totten	Topeka	Ks Contractors Association
Opma Coulter	Topeka	Ks Good Roads
George Barber	Topeka	Ks Consulting Engin
Dan Ramlow	Topeka	Ks. Contractors Assn.
Ed Moss	Topeka	Ks App. Prod. Comm.
Patrick Hurley	Topeka	Econ. Development
Mike Fier	"	KACC
Ben Conrad	"	KSC
Homer Johnson	"	SBIDS
Richard Morrissey	"	KDHE
BERT CANTWELL	"	KHP
T. Myrtle	"	KHP
R. Harder	Topeka	SRS
Jerry Sloan	"	OJA
Doug Bowman	"	Children & Youth Adv.
John Peterson	"	Ks Hospital Assn
Don Lindsey	OSAWATOMIE	UTU
Jon JOSEPH RAB	Lawrence	WU
Lyndon Drew	Topeka	KDOH
Jack Alexander	Topeka	Gov Office
as Capt.	Topeka	KLS
Steve Jan	Topeka	KB1
Garee Morgan	TOPEKA	Ks Dept. of Commerce
Ron P. [unclear]	Hayes	FHSU
Susan Peterson	MANHATTAN	KANSAS STATE UNIVERSITY
Bill Hollenbeck	Pittsburg	PSU
Gina [unclear]	Wichita	NSU

STATE GENERAL FUND PROJECTIONS -- WITH SENATE TAX PLAN

In Millions

	<u>FY 1991</u>	<u>FY 1992</u>	<u>Increase</u>	<u>FY 1993</u>	<u>Projected Increase</u>
Beginning Balance	\$272.9	\$132.6		\$128.3 103.6	
Receipts					
Consensus Est.	2,359.6	2,431.3	3.0%	2,528.6	4.0%
Transfers and Miscal	--	4.2		--	
H.B. 2122	--	125.9		130.9	4.0%
Total	<u>2,359.6</u>	<u>2,561.4</u>	<u>8.6%</u>	<u>2,659.5</u>	<u>3.8%</u>
Expenditures					
Current Status*	2,499.9	2,532.9	1.3%		
With 5%/6% Bal.	--	2,565.7 <u>+32.8</u>	2.6%	2,630.0	2.5%
With 4%/5% Bal.	--	2,590.4 <u>+57.5</u>	3.6%	2,631.5	1.6%
Ending Balance					
With 5%/6% Bal.	132.6	128.3		157.8	
% of Expend.	5.3%	5.0%		6.0%	
With 4%/5% Bal.	--	103.6		131.6	
% of Expend.	--	4.0%		5.0%	
Receipts in Excess of Expend.					
With 5%/6% Bal.	(140.3)	(4.3)		29.5	
With 4%/5% Bal.	--	(29.0)		28.0	

* Senate status after first adjournment and Senate version of the omnibus bill.

Note: The H.B. 2122/H.B. 2428 link calls for \$58.4 million more than the Senate current status of \$2,532.9 million (\$55.1 million in general school aid and \$3.3 million for the income tax rebate).

Kansas Legislative Research Department
May 1, 1991

91-456/RWR

SWAM
May 1, 1991
Attachment 1

ESTIMATES UNDER SCHOOL DISTRICT EQUALIZATION (a
AND PROPOSED CHANGES
(In Thousands of Dollars)

	Estimated Current Law 1990-91	Proposed Plan 1991-92
USD General Fund Plus allowance for appeals, social security, utilities, enrollment increases, and unused budget authority	\$ -----	\$ 1,706,671
	-----	24,656
TOTAL	\$ 1,646,691	\$ 1,731,327
General State Aid Basic	\$ 543,038	\$ 559,668
Additional Guarantee	2,882	14,702
SUBTOTAL	\$ 545,920	\$ 574,370
Special Provision for Appeals Plus allowance for appeals, social security, utilities, enrollment increases, and unused budget authority	0	13,030
TOTAL, General State Aid	\$ 545,920	\$ 587,400
School District Ad Valorem Tax Reduction Fund	0	0
Income Tax Rebate	191,904	204,300
TOTAL, General Aid, SDAVTR, & Rebate	\$ 737,824	\$ 791,700
Transportation Aid	47,615(d)	45,000(f)
GRAND TOTAL Increase over 1990-91	\$ 785,439	\$ 836,700 51,261
State Aid Ratio (b)	33.2%	33.9%
State Aid and Income Tax Ratio (c)	44.8%	45.7%
Est. Property Tax Increase	\$ 47,996	\$ 21,273
Est. KPERS Requirement		52,369
Est. KPERS Increase over 1990-91		

- a) Based on latest information available
- b) General state aid divided by general fund budget
- c) General state aid, income tax rebate, and SDAVTRF divided by
general fund budget
- d) Based on 96% entitlement
- e) Estimated amount to fund appeals to State Board of Tax Appeals for
operating cost due to construction
- f) Based on 83% entitlement

PREPARED BY: State Department of Education and
Legislative Research Department
Computer Printout: L9194
Date: May 1, 1991

SCHOOL DISTRICT EQUALIZATION ACT -- COMPARISON OF PRESENT LAW
WITH PROPOSED NEW PLAN FOR 1991-92

	Current Law	Proposed Plan
Basic Budget Controls	3% - 9%	1/2%-1 1/2% plus 4.4% for 4th enr. cat. not to exceed median of 5th cat.*
Decline in Enrollment	Use prior year's enrollment if decline is less than 4% for large enrollment category or less than 10% for the two small enrollment categories (0-400). A mathematical linear transition will be computed for districts in the 400-2,000 category which will vary 4%-10%. If enrollment declines more than specified percentages, the budget computation is based on prior year's enrollment less the number of pupils the enrollment exceeds the percentage threshold	Same
Hold Harmless	N.A.	75% of projected loss of gen. st. aid and inc. tax rebate (Limit--\$350,000)
Local Effort Rate	N.A.	6.021%
District Wealth	Two-year average of assessed val. and taxable income**	One-year assessed val. & 24% of taxable income
Income Tax Rebate	24% of liability before credits for taxes paid to another state.	Same
P.L. 874	Percent of local revenue equalized to total local revenue	Same
Motor Vehicle Excise Tax & IRB's	Prior year's motor vehicle & IRB in lieu payments as part of local effort	Same
Appeals	Construction, spec. ed., utilities, transportation, enrollment, elem. guidance, & bilingual ed.	Same
Transfers from General Fund	Transportation, spec. ed., driver training, adult ed., adult supp., food service, voc. ed., capital outlay, bilingual ed., inservice ed., parent ed., & educ. excellence funds	Same
Enrollment Categories	0-199.9 200-399.9 400-1,999.9 2,000-9,999.9 10,000 and over	Same
Minimum Levy	None	Reduce cat. aid until gen. fund mill rate equals 3/5ths of state median or state aid is zero***

SWFM
 May 1, 1991
 Attach 2

*In addition, prior year's increases in social security, insurance, utilities,
and unused budget authority. (Authorizes up to 1.0% of unused budget authority
in 1991-92.)

**There will be a 75% limit on taxable income increase for 1990-91.

***Categorical aid includes transportation, food service, bilingual, inservice,
driver training, parent education, and income tax rebate

SESSION OF 1991

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2428

As Further Amended by Senate on Final Action

Brief*

H.B. 2428 pertains to school finance and to the capital outlay tax levying authority of school districts. The bill makes the following changes:

1. **Budget Controls.** The budget per pupil controls for the 1991-92 school year are set at 100.5 percent to 101.5 percent. Also, the "permanent" budget controls are set at 101 percent to 103 percent (presently, 103 percent to 109 percent).
2. **"Hold Harmless" General State Aid.** A school district is entitled to receive the greater of the computed amount of the general state aid and income tax rebate entitlement for the current school year or an amount based upon the per pupil amount of general state aid and income tax rebate the district received in 1990-91 multiplied by the enrollment in the current school year. This per pupil entitlement is prorated at 75 percent for 1991-92, 50 percent for 1992-93, 25 percent for 1993-94, and is inapplicable thereafter. For the 1991-92 school year, a cap of \$350,000 applies to the hold harmless entitlement.
3. **Dedicated Revenue.** A new State School District Finance Fund is created to which \$55.1 million would be transferred each year (\$27.55 million on January 10 and \$27.55 million on June 1) from the State General Fund (demand transfer). This money is earmarked for general state aid under the School District Equalization Act (SDEA).
4. **Andover (USD 385) and Derby (USD 260).** For purposes of determining for the Andover and Derby school districts the budget limitations and state aid entitlements under the SDEA in the 1991-92 school year, the enrollment on September 20, 1991, or September 20, 1992, whichever is greater, will be used.

- comes out of general aid and dedicated revenue.

- distributed through the formula.

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

*SWAM
May 1, 1991
Attachment 3*

5. **Linkage With 1991 Senate Sub. H.B. 2122.** H.B. 2428 becomes effective only if Senate Sub. H.B. 2122 is enacted and Senate Sub. H.B. 2122 becomes effective only if H.B. 2428 becomes law in the form it passed the Senate on April 30.
6. **Capital Outlay Tax Levy Limitations.** For capital outlay purposes, school districts are authorized to levy up to either 4 mills or the rate necessary to produce the same amount of money that would have been produced by a 4 mill levy in the 1988-89 school year. (Under current law, there is authority for school districts to levy up to 4 mills for capital outlay purposes. In fact, due to the imposition of tax lids and statewide reappraisal of property, some districts have been limited to tax rates above and below the 4 mill rate.)

Background

H.B. 2428, as introduced, was recommended by the Wichita (USD 259) school district. The original purpose of the bill was to exempt school district capital outlay levies from the tax lid. The Wichita school district noted that due to the effects of reappraisal and the tax lid law, the district effectively is limited to 3.6 mills for capital outlay purposes. The tax lid has kept school districts from realizing gains due to natural growth while facing increased infrastructure demands that such growth has brought. (Unless re-enacted, the tax lid has expired and will not be applicable in 1991.)

The school finance amendments and modifications of the capital outlay levy authority were added by the Senate on Final Action.