Approved WED. 5-6-92
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 Wednesday, March 25, 1992 in room 519-S of the Capitol.

All members were present except:

Committee staff present:
Bill Edds, Revisor's Office
Don Hayward, Revisor's Office
Chris Courtwright, Research Department
Tom Severn, Research Department
Marion Anzek, Committee Secretary

Conferees appearing before the committee:
Representative Eugene Shore
Representative Douglass Lawrence
Arthur Brown, KS Lumber Dealers
Mike Reecht, State Director, Government Affairs-KS AT&T
Fritz Edmunds, Jr, Chairman, State Affairs Task Force-Overland Park Chamber of Commerce
Brad Taylor, Pres.Elect, Home Builders Ass'n. of Greater Kansas City
Kirby Deeter, Johnson County Board of Realtors
Russell Branden, Elementary Principal-Sublette USD374
Darol Rodrock, Residential Developer, Gardner, KS
Joanne K. Altieri, Home Owner, Lawrence, KS
Dennis Zimmerman, CEO-Director, Grant County Chamber of Commerce
Greg Bauer, Chairman of the Board, Wichita Area Builder's Ass'n.
Donald R. Goss, President, Olathe Area Chamber of Commerce
Ethel Evans, KS Legislative Policy Group
Bill Powell, President-Elect, KS Association of Realtors
John McDonough, a taxpayer from Lenexa, KS
Chris Concannon, a taxpayer from Stevens County

Chairman Dan Thiessen called the meeting to order at 11:00 a.m. and said we would be hearing the opponents on **HB2892**, and he said we have a lot of conferees and would appreciate the it if the conferees would summarize as much as possible, and he recognized Representative Eugene Shore.

HB2892:School District Finance Act.

Representative Eugene Shore, passed a draft to the members and he said in Southwest KS they ask for fairness in any school on finance plans that have passed. He said, in fairness he means they would like to have local control and they don't want competition by the state with their local city and county tax base.

He said, in the draft he passed out, what they have attempted to do is find a per capita taxation by per person in numerous counties across the state. He said, the important thing to remember is, it isn't property that pays taxes and it isn't oil, gas, sales or income that pays taxes, he said, people pay taxes.

He said, to get a fairness in taxes you look at how many dollars each person in an area pays, and he said, in his graph he used numerous counties across the state and tried to get a good mix. He said, the worst suprises, they have had is sales tax on how many taxes per person have been collected for each counties, and he said, they used the income tax, the severence tax and 29 mills of property tax as set forth in **HB2892**.

He said, Douglas County is the place that collects the most sales tax per capita, in sales taxes collected. He said, he found it to be interesting income wise, while it varies alot, it is still pretty stable across the state. He said, where you get the big difference is when you come to the property tax when you have a level mill levy or the severance tax, in the interest of the oil and gas in the state.

He said on per capita basis, Leavenworth County collects about $500. per person, and Stevens County collects about $5,640 per person per capita, and in southwest Kansas the average is about $3,000 per person.

He said, they do not feel this is fair and hopes the committee will consider their frustration and deliberate on this bill. (**ATTACHMENT 1**)

Representative Douglass Lawrence said, he does not believe you can increase spending $100.M

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.

and increase taxes nearly $500.M and call it a tax relief.

He said, in establishing the school finance plan, the legislature is raising about every tax possible and putting all of those resources into the schools.

He said, in his packet distributed to the members are 3 different sets of testimony, the testimony he had for the Senate Education Committee, Comments of his from the Floor debate and his testimony.

He said, he believes a solution would be to take the current formula and make modifications, as he and a group of House Republicans worked many hours on a plan that is defensible in court. He said, it is as constitutional as the plan you have before you, and it includes fiscal responsiblity, tax fairness and fiscal honesty. (**ATTACHMENT 2**)

Arthur Brown, KS Lumber Dealers said he was representing 350 Building Material dealers in the State of Kansas, and his testimony would be directed to the supply side problems that exist in the construction industry and the impact that it has on new construction.

He said currently the supply of lumber is going through some severe price upheveals that they do not see subsiding for some time. He said, this year approximately 7M acres of prime timber land was taken out of the harvest cycle for the protection of the spotted owl. He said, just imanage the impact, if you will, of having the prairie dog considered an endangered species, and that wheat could not be harvested in order to preserve them.

He said, in numbers as to how this impacts new construction, (using a national average), the average single family house is constructed using about 13,000 board feet of softwood lumber and 10,000 square feet of wood panel products, which accounts for about 15% of the construction costs. He said, a house with a value of $120,000, with a 10% down payment, and average carrying costs for insurance and taxes, the monthly payment on the mortgage would be $1071.00, which in order to qualify takes an income of $45,900 assuming a maximum payment to income ratio of 28%.

He said, the repeal of the exemption not only impacts the single family house, but apartments, office buildings, commercial buildings and other such structures. He said, no other surrounding states charge tax on new construction, and any place you see new construction you know that there is growth and a vibrant economy. (**ATTACHMENT 3**)

Mike Reecht, State Director, Government Affairs-KS AT&T said he is appearing specifically in Section 55(b) on page 43 of **HB2892** concerning the sales tax exemption for interstate Long Distance.

He said, Section 55(b) would enable the state to collect sales tax on all telephone services "except sales of interstate Long Distance telephone service for commercial use by way of a telemarketing communication system." He said, they oppose the language because they believe it is too narrow to promote the growth of telecommunications services and of the businesses that make extensive use of those telecommunications services.

He said, although the language in **HB2892** lines 40-42, page 43 seem to perpetuate that exemption, the terminology of "telemarketing communications system" is not defined in the telecommunications industry. He said, telemarketers do not add a particular hardware system or a particular service to conduct their business. Telemarketers consist of all sizes from several business lines to bulk WATS type services.

He said, 17 states considered the elimination of this exemption last year, and only Pennsylvania enacted the legislation, principally because New Jersey had already eliminated the exemption previously. He said, attached to his testimony is an article from the January 27, 1992 U.S. News and World Report entitled "The 10 Worst Economic Moves". He said, the article listed the elimination of the sales tax exemption on interstate Long Distance as 2nd on the list.

He said, it is essential that KS tax policy not restrict telecommunications technological development in the state. He said, tomorrow's businesses should have the flexibility to utilize telecommunications as a solution to problems without being limited by a KS tax policy.

He suggested an amendment to **HB2892** to the committee, to be amended on page 43 at Section 44(b) on lines 41 and 42 by striking all language following the word "use" on line 41. (**ATTACHMENT 4**)

Fritz Edmunds, Jr., Chairman, State Affairs Task Force-Overland Park Chamber of Commerce said their oppostion comes from both practical and a philosophical standpoint. He said, they are very concerned that a quick reaction to one Judge's opinion will likely result in another bad situation similar to the classification problem.

He said, the ramifications of increased taxes would severely harm the economic force within KS and according to a University of KS study, will eventually result in no net revenue gains.

He said, under the plan outlined in **HB2892** the Education issue is being used to give the appearance of providing property tax relief, when in actuality none of the new money is earmarked strictly for education, and he said, we are liable to have to start all over again next session. He said, with regard to the uniform mill levy, they are in opposition since properties across the state have not been appraised equally. Inequity also exists because of vast abatements used by various municipalities (Overland Park has resisted these tools of economic development, but would no longer be able to, under the proposed plan).

He said, rather than overreacting and changing the entire tax system, which is not necessarily broken but just underfunded, the Overland Park Chamber of Commerce supports a prioritized funding measure which values highly the education of our children, and utilizes as much existing general-fund revenue as possible in order to assist poorer districts and meet constitutional requirements. (**ATTACHMENT 5**)

Brad Taylor, President-Elect-Home Builders Ass'n. of Greater Kansas City said he is representing approximately 20,000 employees whose jobs are tied to residential construction as well as the interests of future KS home buyers. He said, Worker's compensation increases will be as much as 62% for some construction employers this year. He said, lumber prices are expected to increase by as much as 25% by summer's end, and he said the cost of making a sewer connection in parts of Olathe will likely increase by more than $2,000 for some builders in the next 30 days.

He said, if a buyer can cross state line and qualify to purchase the same new home in a AAA - rated school district for $5-$10,000 less, they will certainly do so.

He respectfully requested that the committee reinstate the sales tax exemption on original construction and give a vote of confidence to home buyers in KS and to the construction jobs whose families depend on a healty housing industry. (**ATTACHMENT 6**)

Kirby Deeter, representing the Johnson County Board of Realtors said he would address the 7% tax on the labor portion on new construction. He said, a concern they have is, it seems to them that more and more critical economic decisions are being made with too many "unknowns" and it's their position that they are dealing with some "unknowns" on this issue as well.

He said, they are not sure that there is ever a good time to apply such a tax, but they feel confident that now is not the time to increase the cost of new construction, because real estate and business is still reeling from the adverse affects of classification, the 1986 Tax Act, and the recession, and he said, it seems short-sighted to further discourage new construction that otherwise might be feasible, and to further burden the housing and commercial real estate industry which seems to be overly burdened already. (**ATTACHMENT 7**)

Russell Branden, Elementary Prinicipal-Sublette USD374 said the issues at hand are complex and while the task is complicated by the nature of a diverse population, geography, and local wealth, the decision to let local districts maintain control of their own destinies cannot be ignored.

He asked, has the committee explored the present equalization formula as adopted by the 1972 KS Legislature, if you were to provide full funding? He said, the KS Supreme Court has not ruled the formula to be unequal and he urged the committee to not be quick to act because of one opinion issued by one judge.

He said, they believe we have a sound educational system that allows children to grow, mature, and achieve, and he said we have a quality of life that is positive and bright and is "ours" by choice.

He asked, the committee not to jeopardize the future of our schools by imposing additional government control and a funding system that will ultimately not work. (**ATTACHMENT 8**)

Darol Rodrock said he is involved in Residential Development in Gardner, KS and he said, he understands the urgent and on-going demand to finance KS schools.

He said, leaders in the past helped develop quality schools in our State, and he asked the committee to not let down in the battle to fund a quality educational program.

He said, he feels that a 7% sales tax on all new construction in our state would have a devastating impact on thousands of families in KS, and the average income for a construction worker in KS is $23,000 per year.

He encouraged the committee to have the leadership and wisdom to develop a program for our school financing that will have a positive affect on job creation in our state. (**ATTACHMENT 9**)

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S, Statehouse, at 11:00 a.m./p.m. on Wednesday, March 25, 1992

Joanne K. Altieri said she recently experienced trying to purchase a new home, and the proposed tax on the labor cost of the new home construction would have put her out of the home-buying market.

She said, with her Mother's financial help toward a down payment, she managed to purchase a small starter-type home in a good neighborhood five years ago, and she said because she is a single parent of two children ages 7 and 9 it was a stuggle for her to make the payments. She said, she started to look for a larger home, and after 7 months of looking, and 2 unsuccessful attempts to purchase other homes, she finally has a new home to look forward to.

She said, if her builder had to increase his price on the home to comply with this tax, it would put her over her qualifying limit.

She said, although the purpose of this tax, in part, is to help reduce real estate taxes in general, she see's it as a deterrent for 1st time home buyers. (**ATTACHMENT 10**)

Dennis Zimmerman, CEO/Director, Grant County Chamber of Commerce said they are in opposition of **HB2892** and he acknowledged that for Grant County, **HB2892** is a win-lose situation. He said, their mill levy will decrease by 2 mills and their projected "92-93" school budget will experience a $500,000 decrease.

He said, they feel the Legislature should not spend a lot of time trying to 2nd guess the courts, and that they support revamping the present formula, making it as fair and equal as possible and, most important, fully fund the formula.

He said, they oppose removal of any tax exemptions, and they support city and county tax abatement incentives but believe that all property owners, businesses, industry, homeowners and farmers should pay school taxes. (**ATTACHMENT 11**)

Greg Bauer, Chairman of the Board-Wichita Area Builders Ass'n. said he is also a member of the Executive Committee of the Home Builders Ass'n. of KS.

He said, their opposition to this legislation is not based upon a lack of support for quality education or support for inequity in the funding for education. He said, taxpayers want tax relief and they do not want tax shifts.

He said, with the removal of the sales tax exemption on new construction labor contained in **HB2892**, the site-built residential construction industry is being singled out for removal of their exemption while, under **HB2892**, the manufactured housing industry is allowed to retain the sales tax exemption it recently obtained. This places an industry, which produces its product in KS and greatly contributes to the KS economy and employment market, at a competitive dis-advantage and he urged the committee's strong consideration of this provision as they deliberate on this issue. (**ATTACHMENT 12**)

Donald R. Goss, President, Olathe Area Chamber of Commerce said they speak as opponents to many of the provisions developed in the House to fund education. He said, they cannot support them because they do not provide tax relief to business and industry, they provide a shift in an already high tax burden and reduce their ability to compete for new economic development projects. He said, they are most concerned about the expansion of taxes in exempt classifications, and each exempt area holds the potential reduction of their ability to attract new business and industry.

He said, their organization acknowledges an increase in sales tax and, he said, personal income tax may be needed to meet education funding demands, because they are the only tax areas that hold the least fiscal impact for their community and county, and he urged the committee to look at these areas first, before reducing their ability to compete for new construction and new jobs. (**ATTACHMENT 13**)

Ethel Evans, representing KS Legislative Policy Group, said they have numerous concerns. The 1st, is local governments' control. She said, if the state mandates a uniform school levy, it places the rest of the local taxing entities in direct competition with the state for the local property tax dollar. She said, that is if they are even allowed to compete, because a uniform school levy will probably result in a strict tax lid on all funds for local services.

She said, county commissioners are responsbilie to provide services of: Fire Protection, Senior Citizen Programs, Library, Ambulance Service, Airport, Hospitals, Roads and Bridges, County Health Department, Care Homes for the Elderly, and Police and Law Enforcement, and she said, these are the kinds of services that the citizen expects and deserves, and along with education, are the life lines and livelihoods of their communities.

She said, a statwide mill levy on local properties will jeopardize the local services' tax structure, and she said, the loss of any more financial control of any one of their

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 519-S Statehouse, at 11:00 a.m./p.m. on Wednesday, March 25, 1992

local governments would eventually lead to loss of all local governments' control. (**ATTACHMENT 14**)

Bill Powell, President-Elect, KS Association of Realtors said they oppose the portion of **HB2892** which proposes to remove the sales tax exemption for new construction.

He said, while they are fully aware of the problems which the state faces in the school finance area, they believe that placing a sales tax on new construction will be a self-defeating effort on the part of the state of KS.

He said, if new home construction is an industry that historically leads the economy out of a recession, why would the state of KS want to do anything which would hamper that industry. How can it be justified that increasing the up-front costs of a new home will somehow be food for our economy? (**ATTACHMENT 15**)

John McDonough, a taxpayer from Lenexa, KS said he is testifying in opposition to **HB2892** because it would yet further increase the public school lobby's monopoly of our children.

He said, in his handout to the committee members are attachments, 1,2, and 3 which provide rebuttal to the "justifications" the lobby lays on us to continue its monopoly, steak for you, instead of their baloney. (2) A summary of Missouri supreme court Justice/Chief Justice, Charles Blackmar's paper endorsing school choice and vouchers. Case law references and remarks of leading constitutional professors/authorities. (3) A paper by a Heritage Foundation expert on education reform--Phoney Assertions About School Choice, "Answering Critics". (**ATTACHMENT 16**)

Chris Concannon, from Stevens County said, he is speaking in opposition to **HB2892**. He said Judge Bullock's opinion, which stimulated this legislation, does not sufficiently define crucial issues, and among those being "Quality Education" and "Equal Opportunity for Education".

He said, the bill unfairly burdens the rural counties due to its failure to appropriately assess and tax those counties who have utilized industrial revenue and economic development bonds and its failure to give mineral producing counties credit for their contribution through the serverance tax.

He continued saying, urban KS also uses its property as a tax base, and the use of Industrial Revenue and Economic Development bonds, which he referred to generically as IRB's, causes a conversion of wealth which create inequities in the school finance plan passed by the House.

He said, according to the State Board of Tax Appeals, there is presently an IRB inventory across the State of Kansas of $2,757,492,664.00, and he said this is nearly one-fifth of the total assessed valuation of the entire State of KS. Attached to his hand-out is Exhibit 1, County Valuation and IRB Inventory, Exhibit 2, IRBs Greater than $40,000,000, Exhibit 3, IRBs Less than $40,000,000 and Exhibit 4, Comparison of IRBs to Assessed Valuation. (**ATTACHMENT 17**)

After committee discussion and questions to Mr. Concannon, and answered by Mr. Concannon, The Chairman adjourned the meeting at 12:20 p.m.

WRITTEN TESTIMONY WAS TURNED IN BY THE FOLLOWING:

Donald P. Schnacke, Executive Vice President-KS Independent Oil & Gas Ass'n. ATTACHMENT 18)
Larry Clark, Superintendent of Schools, Burlington USD #244 (**ATTACHMENT 19**)
Denny Burgess, representing Royalty Owners Association (**ATTACHMENT 20**)
Franklin Dee Williams, Shawnee County Fair Grounds (**ATTACHMENT 21**)

GUEST LIST

COMMITTEE: SENATE ASSESSMENT & TAXATION DATE: WED. 3-25-92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Chris Hamm	2633 Villa West	THBA
Marvin R Moll	Topeka	THBA
Fritz Edmunds	Overland Park	
Cedric Moege	Topeka	KEPPT
Ronald Dumpleniz	Lawrence	KCHBA
Joanne K. Altieri	Lawrence	taxpayer
Sara Corless	Home Builders Assn of Greater Kansas City	
Mike Reecht	TOPEKA	AT+T
ROGER SCHULTZ	MANHATTAN	HBAK
Gil Bristow	Manhattan Area Builders Asso	
GREG BAUER	WICHITA	"
JANET STUBBS	Topeka.	HBA of Ks.
HANK RIFFE	Olathe	HBA of Ks
Vern Weir	Salina	HBA of KS
John McDonough	Lenexa	School Voucher News
JERRY KEMPF	HAYS, KS	Sunflower Elec.
Chuck Stones	Topeka	KBA
R. Bradley Taylor	Olathe	KCHBA
Sandy Spalitto	Leawood, Ks	Johnson County Board of Realtors
KIRBY DEETER	Leawood, Ks	Johnson County Board of Realtors
Chris Haffner	Fairway KS	Morton & Schmidt Consulting Engineers
GIDEON ("GABE") BROWN	SHAWNEE, KS	GABE BROWN HOMES
Mary Ellen Conlee	Wichita	Ks. Assoc for Small Business
Roland Smith	Wichita	WIBA
Vernon L Butt	Manter	Mayor

GUEST LIST

COMMITTEE: ASSESSMENT & TAXATION

DATE: WED. 3-25-92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Lee Raney	Johnson, Ks	Stanton Co. Task Force
Sharon Dimitt	Johnson, Ks	Stanton Co. Clerk
Paul Plummer	Johnson	Stanton County Task Force
John Bowser	Junction City	United Tel.
Nelson Bryant	Hugoton KS.	USD 210
Debbie Beam	Topeka, KS	Topeka Bd of Realtors
Larry Brown	Topeka KS.	THBA & LW Brown Const
Tom Slattery	Topeka	AGC of Ks.
Ethel Evans	Grant Co.	Comm/KLPG
Harriet Lange	Topeka	KAB
Susan Somers	Topeka	KSCPA
Bob Storey	Topeka	Dettart & Darr
Tom Whitaker	Topeka	Ks Motor Carriers Assn.
Paul Flowers	Coldwater, KS	KAC
Jerry Wittmer	Topeka	Topeka Home Builders Assn
Donald R. Foss	Olathe	Olathe Area Chamber Comm
H.B. Marshall	Topeka	THBA
Mary Birch	O.P.	Chamber
Frances Kastner	Topeka	Ks Food Dealers Assn
Curt Carpenter	Great Bend	West Plains Energy
Stanley McGill	Moscow	USD 209
Kenneth R. New	Paola, Ks	Crown Realty
Brad Smoot	Topeka	Home Builders of KC
Gary Marshall	Sublette Ks.	U.S.D. 374
Reed W. Davis	Topeka	KDOT

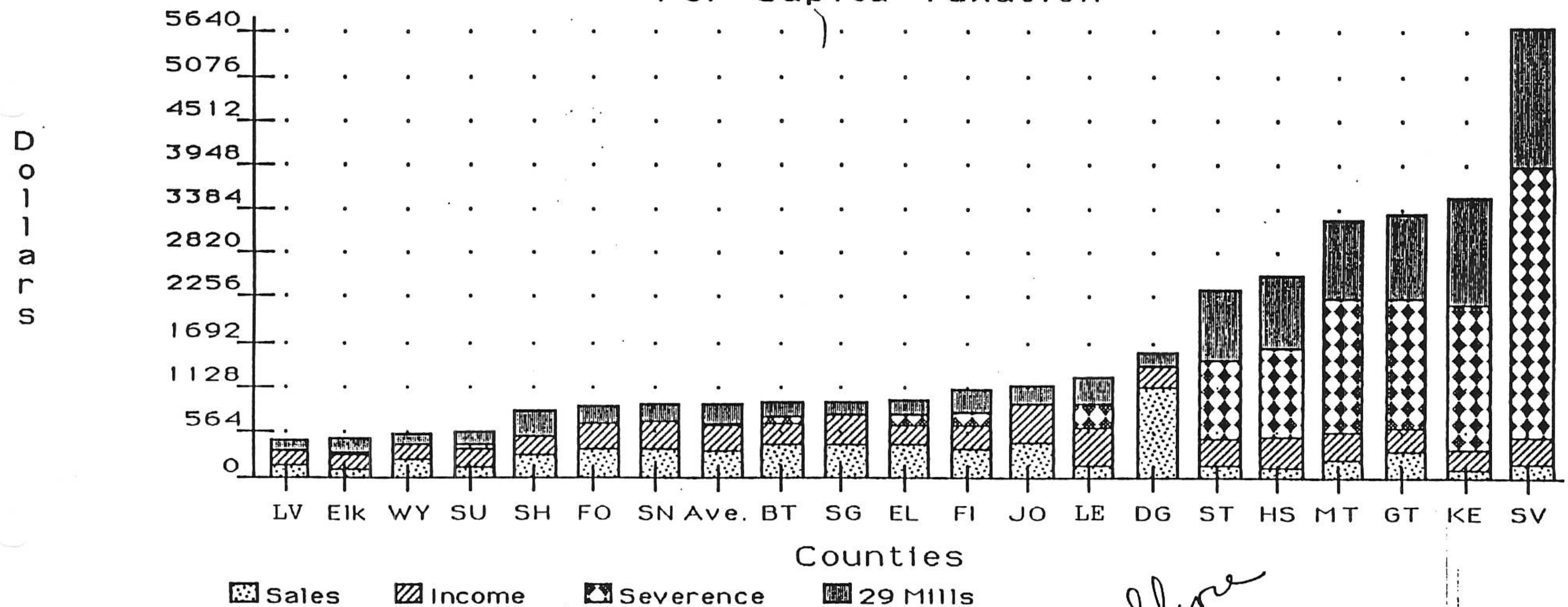
GUEST LIST

COMMITTEE: ASSESSMENT & TAXATION DATE: WED 3-25-92

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Joe Cramer	Healy, Ks	USD 468 BOE
Bill Musick	Minneapolis, KS	St Bd Ed
Russell Branden	Bx199 Sublette Ks	USD 374
Bill Grimes	Moscow, Ks	USD #209
Mike GASKILL	Moscow, Ks	USD #209
Karen Rodrock	Gardner Ks	Rodrock Devel.
Darol Rodrock	Gardner, Ks	Rodrock Devel. Co.
JAMES D. NEIGHBORS	OVERLAND PARK, Ks	JDN CONST CO INC
HAROLD PITTS	TOPEKA	AARP-CCTF
Bud Grant	TOPEKA	KCCI
Bill Powell	WICHITA	KAR
KAREN FRANCE	TOPEKA	KAR
Linda Powell	Wichita	USD 259

SENATE ASSESS & TAX
3-25-92 ATT. 1

Per Capita Taxation



Rep Eugene Shore

STATE OF KANSAS

Doug Lawrence
STATE REPRESENTATIVE
902 MIAMI
BURLINGTON, KS 66839

COMMITTEE ASSIGNMENTS
MEMBER: AGRICULTURE AND SMALL BUSINESS
ENERGY AND NATURAL RESOURCES
TRANSPORTATION

TOPEKA

HOUSE OF
REPRESENTATIVES

Senate Assessment and Taxation Committee

March 25, 1992

Mr. Chairman, Committee Members, I appreciate the opportunity to testify today.

I am from Burlington. I say that so it is clearly understood. But I believe I speak from a broader perspective. I would like to address the tax policy issues contained in the School Finance Measure before you.

You have probably heard much about the concept of tax relief, as it is embodied in this plan. We all want tax relief. But, I do not believe you can increase spending ... 100 million dollars ... and increase taxes nearly half a billion dollars and call it tax relief. To be sure there is a tax shift. There will be winners and losers. With 100 million dollars in increased spending -- there will be more losers than winners. And who will those losers be? Generally young couples who rent property -- new businesses who either rent space or do not have a significant property investments yet.

I have started two new businesses in four years. It was the hardest thing I had ever done -- until coming to the legislature. The early years of any business -- as are the early years of a family are the toughest. This new plan hits the wrong people too hard.

In establishing this school finance plan, we are raising about every tax possible and putting all of those resources into the schools. What will we do next year for the regents, SRS, and other state agencies? I believe that Kansas will be **all taxed out** this year, and not have access to any additional resources for many years. Are we willing to take from all other state programs for this huge increase in spending, or will we be pushing up the property tax rate in the future to free up some of the money flowing into the general fund for other things.

What price will the rest of the state pay?

I have alluded to the statewide uniform mill levy. This issue requires careful consideration. I'd like to break it into several pieces.

SENATE ASSES. & TAX
3-25-92
ATT. 2-1

first fiscal responsibility: If the levy is fixed by the state at a particular level -- what encouragement is there for school districts to be careful with their money. Will they be frugal when their patrons get no benefit from that effort in the form of lower taxes. I firmly believe that this policy of state determined budgets and state determined tax levies will lead to a spend it or lose it mentality. How many budget cycles can Kansas afford in a two billion dollar education budget, with this attitude? Will it be next year, or the year after that that some school district -- rightly or wrongly -- needs more money. And how will we provide it? I suppose the answer is in Tier two and three under this package. But think about what is happening there -- those two tiers allow different spending levels between identical districts. Those same tiers lead us to the constitutional question we are struggling with now. Either different spending levels are constitutional or not. If they are, our current plan can be made acceptable -- if they are not constitutional then we are going to spend a whole lot more money just to be unconstitutional.

Another issue is abatements of property taxes and IRB's. A statewide uniform mill levy assumes that everyone is making equal effort. With the ability to abate property taxes in the hands of local authorities, what encouragement is there for them to maintain their tax base. Counties and cities with large manufacturing bases or retail bases can use the sales tax for additional funding. Schools can not. Payment in lieu of taxes could certainly soften the blow to a county or city, but what of the state. No matter how much property is abated in a school district -- under this plan -- the 29 mill levy would stay the same. Would it be fair to shift the burden from one place to another, through abatements or IRB's by fixing this levy at a set amount regardless of actions by cities -- counties or school boards?

Uniform mill levies across the state assumes uniformity in appraisals and assessed valuations. Something we clearly do not have at this time. Can the state afford to have its school finance system in one court ... and its appraisal process in another.

Finally, Judge Bullock's opinion does not require a statewide uniform mill levy. His only point of contention on the mill levy issue comes from a New Jersey case, where inordinantly high **AGGREGATE** mill levies could be perceived to be interfering with a school district's ability to adequately fund education in their local situation. We do have that situation in Kansas. And the current SDEA provides an appropriate mechanism to address those problems with adequate funding.

In summary, I believe that -- if you want to provide tax relief, school finance is not the appropriate vehicle to attain that. I believe that you don't start the process of providing tax relief by increasing spending and increasing taxes. This plan hits new businesses -- young couples and families who must spend a larger portion of their income on consumables -- and rent their dwellings hard. It provides tax relief to the wrong people.

I don't believe the uniform statewide mill levy would lead to equitable taxation. I think such an effort would only aggravate the problem.

A solution -- I believe -- is to take the current formula and make modifications. I, along with a group of House Republicans worked many -- many hours on such and effort. Our plan is defensible in court. It is as constitutional as the plan you have before you. And it includes fiscal responsibility -- tax fairness -- and fiscal honesty.

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MID-AMERICA LUMBERMENS ASSOCIATION

ARKANSAS KANSAS
MISSOURI NEBRASKA
OKLAHOMA

TESTIMONY TO THE SENATE TAXATION COMMITTEE

MARCH 24, 1992

REGARDING HB 2892 AND THE REPEAL OF LABOR IN NEW CONSTRUCTION

Mr. Chairman, members of the committee, it is my pleasure to address you today as an opponent on the repeal of the exemption that is current law, on new construction.

My name is Art Brown, and I represent the 350 Building Material dealers in the State of Kansas.

The focus of my testimony will be on the supply side problems that exist in the construction industry today, and the impact that it has on new construction.

Currently, the supply of lumber is going through some severe price upheveals that we do not see subsiding for some time. Earlier this year, approximately 7 million acres of prime timber land was taken out of the harvest cycle, for the protection of the spotted owl. Imagine the impact, if you will, of having the prairie dog considered an endangered species, and that wheat could not be harvested in order to preserve them. We think you get a good idea of what would happen to the price of wheat. To give you an idea, in pure numbers, as to how this impacts new construction, lets consider an average house (by average, we will use a national average) and see what goes into the structure, and how much cost is impacted. The average single family house is constructed using abut 13,000 board feet of softwood lumber and 10,000 square feet of wood panel products.

SENATE ASSES. & TAX
3-25-92 ATT. 3-1

Data available to us suggests that wood products conservatively account for about 15% of the construction costs, which results in about 7% of the supply side costs being paid by the home buyer. Again, on a national average, let's use a house with a value of $120,000. You can suit to taste for your own region, but the numbers will still work out proportionately to the same result. With a 10% down payment, and average carrying costs for insurance and taxes, the monthly payment on this mortgage would be $1071.00. To qualify for the mortgage takes an income of $45,900.00 (This assumes a maximum payment - to- income ratio of 28%.)

Now, lets show the relationship of wood costs to housing affordability. Using a floor of a 20% increase in wood costs to construct the aforementioned house - and with current market conditions as they are, and are expected to be for some time, 20% is a safe number to use. If these added costs of wood products is passed on to the home buyer, the selling price increases by $1680.00. To get to the bottom line, additional income of $570.00 is needed to fund this difference from the home buyer. This seemingly small difference in income affects approximately 502,000 households with incomes that fall between $45,900 and $46,500. At this particular income level, 2.5% of households purchase new homes each year. This leaves 12,600 (502,000 x .025) potential home buyers who would be locked out of the market due to this change. Over a 10 year period, that is 126,000 families. It is at this time that I must tell the committee one very, very important fact. This entire scenario relates to the supply side only. This has nothing to do with the impact on the labor side, which is the main issue and will be addressed by other conferees. It has been with interest that we have noted many legislators, some on the committee note how competition is so difficult from other States. One must not lose sight that the repeal of this exemption impacts not just the single family house, but apartments, office buildings, commercial buildings and other such structures. We have to ask the question, if no other surrounding State charges tax on new construction, then why does Kansas have to break ground in this area and give competing States an edge over Kansas' business? Bids for office buildings and such will have an unfair advantage to other States who play some real hardball to get the business if another 5-7% of costs is added to the project being bid.

This is also unfair to put this additional cost onto a new home buyer. It is tough enough to come up with the funds necessary to buy a new house today, adding this cost just makes the process that much harder. Again, I'm sure other conferees will point this out to you.

In closing, I would just like to say that a real simple formula is at work here. New construction = growth = new jobs. Any place you see new construction, you know that there is growth and a vibrant economy. None of us here, either sitting on the committee, or sitting in this room has to be an economic expert to know that housing is always the barometer that is used to judge the health of the nation's economy. To add cost to a highly regarded economic development too, as well as just plain shelter to Kansasans' is unjust.

There have been 47 building material dealers who have gone out of business for assorted reasons since 1988. There is no one set region in the state for this downturn, it is just a disturbing trend throughout the State. There is not an argument that can be used that would not say that lifting this exemption on labor on new construction would be a positive step in the economic development, growth and new job housing creates.

I thank you for the opportunity to address you on this issue today, and would answer any questions you may have.

Mike Reecht
State Director
Government Affairs
Kansas

Capitol Tower
400 SW 8th Street, Suite 301
Topeka, KS 66603
Phone (913) 232-2128

**TESTIMONY OF MIKE REECHT
ON BEHALF OF AT&T
REGARDING HOUSE BILL 2892
BEFORE SENATE ASSESSMENT AND TAXATION
MARCH 25, 1992**

My name is Mike Reecht. I am State Director of Government Affairs for AT&T in Kansas. I appear before you today to testify regarding House Bill 2892 specifically in Section 55(b) on page 43 concerning the sales tax exemption for interstate Long Distance.

Section 55(b) would enable the state to collect sales tax on all telephone services "except sales of interstate Long Distance telephone service for commercial use by way of a telemarketing communication system." We oppose this language in that I believe it is too narrow to promote the growth of telecommunications services and of the businesses that make extensive use of those telecommunications services.

In testimony before the House and Senate committees in this and prior years, I have pointed out the importance of the maintenance of Long Distance exemption for at least commercial/business use.

Technological developments in telecommunications are expanding rapidly. The expansion in the use of interactive video teleconferencing as a substitute for costly air travel as well as application in the educational and medical fields dictate that we do not restrict business development in this area by a restrictive tax policy. Likewise, in the area of data processing, sophisticated interstate telecommunications digital networks permit the consolidation of computer data at centralized locations. If the transmission of that data is taxed, companies will be incented to locate collection points in states that have no such tax. I want to remind the committee that each of the states surrounding Kansas exempts interstate Long Distance from sales tax currently.

As each of you is aware, I have testified before to the rapid expansion of the telemarketing industry in Kansas. And although the language in House Bill 2892 at lines 40-42 on page 43 seems to perpetuate that exemption, the terminology of "telemarketing communications system" is not defined in the telecommunications industry. Telemarketers do not add a particular hardware system or a particular service to conduct their business. Telemarketers consist of all sizes from several business lines to bulk WATS type services. To suggest that a service provider like AT&T is able to distinguish a customer that will be conducting telemarketing business over its long distance lines in order to apply the sales tax exemption is not realistic. As I have said previously, the language is too narrow.

There are many existing firms like the Best Western Reservation Center in Wichita, the Walt Disney Reservation Center in Johnson county, the Sears Inbound Catalog Sales Center in Wichita and the Emery Freight Dispatching and Tracking Center in Kansas City, Kansas that employ hundreds of people, are mobile, and are driven to a great extent by telecommunications costs. The functions performed by these firms do not seem to fit the meaning of "telemarketing communications system" provided in House bill 2892. In my opinion the language would require the application of sales tax to their services. The possible result is the loss of jobs to neighboring states that continue to provide the commercial/business exemption.

Seventeen states considered the elimination of this exemption last year. Only Pennsylvania enacted the legislation, principally because New Jersey had already eliminated the exemption previously. I have attached an article from the January 27, 1992 U.S. News and World Report entitled "The 10 Worst Economic Moves". That article listed the elimination of the sales tax exemption on interstate Long Distance as 2nd on the list.

It is essential that Kansas tax policy not restrict telecommunications technological development in the state. The areas we are familiar with today are telemarketing, video teleconferencing, and computer networking. Tomorrow's businesses should have the flexibility to utilize telecommunications as a solution to problems without being limited by a Kansas tax policy.

It is therefore my suggestion that House Bill 2892 be amended on page 43 at Section 55(b) on lines 41 and 42 by striking all language following the word "use" on line 41.

I would be happy to answer any questions you might have.

THE 10 WORST ECONOMIC MOVES

Shattered by the recession, desperate state and local governments are committing major fiscal blunders and rolling the dice on their future

Congress returns from a long winter's nap this week in an effort to rouse the dormant American economy, which has been in deep hibernation for the past 19 months. Meanwhile, George Bush is desperately seeking fiscal salvation as he trudges through New Hampshire's freezing snow and cold to save his increasingly unpopular presidency. But before they start tinkering with taxes and busting the budget in Washington, Bush and the members of Congress ought to carefully examine balance sheets in statehouses and city halls around the nation – especially if they want to know what *not* to do.

Local government officials from coast to coast, besieged by the demands of financially ailing citizens who want more services but fewer taxes, are hitting the economic panic button in order to retain their jobs. This hysteria has resulted in a series of wrongheaded and shortsighted decisions that could exacerbate the longest recession since the Great Depression of the 1930s. Excessive expenditures have been concealed in complicated footnotes to budget documents, for example; additional taxes have been heaped upon the nation's struggling poor; jobs have been purchased at exorbitant prices, and all-important business growth has been snuffed out by ill-conceived fiscal legislation.

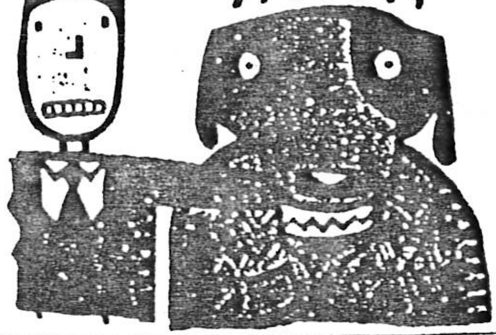
The long-term impact of these blunders is frightening. Budgetary quick fixes are driving herds of companies from high-tax cities and states to more inviting economic pastures. This stampede will ultimately burden the next generation of citizens with even more intractable deficits.

After canvassing the country and talking with scores of policy makers, business executives and fiscal experts, *U.S. News* has selected 10 of the worst economic moves by local government in this downturn. Listed in no particular order, they range from taxing Twinkies in California to assuming risky corporate debt in Minnesota. It might seem unnecessarily cruel to kick government when it's on the ground – the most misguided moves often take place when the deficits are deepest – but the states and cities analyzed in the following pages really kicked themselves first.

1

A PAINFUL BITE FOR BUSINESS

For more than a decade, the Pennsylvania state government in Harrisburg has tried to enhance its relationship with business, paring down its corporate income tax from 11.5 percent to 8.5 percent. True, that still left the Keystone State with above-average business levies, but with high-tax neighbors like New York, you don't have to be a tax haven to keep the bakers and boilermakers from straying across the border. That



ILLUSTRATIONS BY ROBERT ZIMMERMAN FOR USN&WR

4-3

2

REACH OUT AND TAX SOMEONE

In 1990, Mayor Richard Daley of Chicago and a hundred city and state officials hailed the opening of United Airlines' new O'Hare Airport reservations facility as a development coup for the Windy City. Chicago had lured the $28 million investment – and 2,000 jobs – in part, with a promised exemption from Illinois's 5 percent tax on telephone services. For a facility expecting to handle 3 million long-distance calls each month, that meant a savings of hundreds of thousands of dollars for United.

The skies over Chicago turned less friendly this month, however, when the city imposed its own 5 percent tax on out-of-state calls to replace half of a $49 million cutback in revenue sharing from Illinois. It is too late for United to back out of its investment, but in coming years, Chicago may find that the hidden phone tax drives businesses elsewhere.

The temptation to bridge budget gaps with a telephone tax is sweeping the nation. According to Joseph Gigliotti of AT&T, 17 states considered long-distance taxes in 1991, largely because the low-key levies are rarely noticed. But business, increasingly dependent upon telecommunications, does notice. That's why only one of the 17 states (Pennsylvania) actually implemented such a tax.

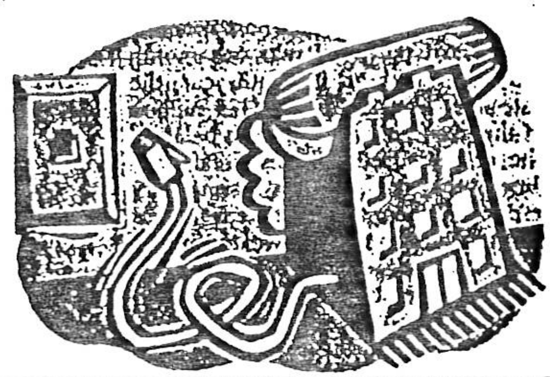
Disconnect. Wisconsin was the first to learn the hazards of telephone taxation. Callers there once paid phone taxes of more than 12 percent. But when state leaders realized they were driving away jobs, they phased the tax down to 5.5 percent. Ring Response, a Skokie, Ill., telephone service for catalogs, wanted to expand into Wisconsin, but it learned of the phone surcharges and pulled back. Now, Michael Centrella, the firm's president, is being courted by other states, where he could escape the $300,000 in phone taxes he pays to Illinois. And if he were in Chicago? "I'd be moving out."

was until last summer, when Democratic Gov. Robert Casey and the state legislature raised Pennsylvania's business taxes by well over $1 billion, hiking the corporate rate to 12.25 percent – the highest in the nation – while heaping sales taxes upon services. A typical struggling manufacturer in Pennsylvania might see its tax bill rise 40 percent, from $48,600 to $68,400. And a survey by SMC, a small business trade group in Pennsylvania, shows that more than a quarter of the small enterprises in the state are contemplating a move to friendlier climes. Pennsylvania may soon learn that making companies pay their fair share of taxes is no capital crime, but putting undue burdens on business is a punishable offense.

Leo McDonough, president of SMC, admits that most threats to leave Pennsylvania amount to more talk than action, but a small exodus has already begun. Since the tax package passed, neighboring states have received hundreds of inquiries from tax-hassled Pennsylvania businesses, including several computer service companies.

Pennsylvania's new service-sector tax seems random and arbitrary to some business leaders. Howard Seiverd of Upper Darby wants to know why his debt-collection agency must charge clients a 6 percent sales tax while the law firm down the street performs the same service tax-free. Seiverd has been forced to lay off 12 of his 33 employees because clients have fled since the tax went into effect. He may move his business to Delaware.

Executives also complain that the burden on citizens and companies is not equitably shared in Pennsylvania. Though the personal income tax rate rose from 2.1 to 3.1 percent to help close the state's budget gap, it remains among the nation's lowest and will partially roll back next year. Meanwhile, the high business taxes are hitting just when the recession has left companies with little breathing room. Newlon Personnel Services in Pittsburgh, for example, had already been forced to strip its payroll from a permanent staff of 14 to a smattering of temporary help early last year. "When the new tax law was passed, I realized I should start looking for a job," says company founder Elizabeth Newlon. "If the recession doesn't get us, the taxes will."



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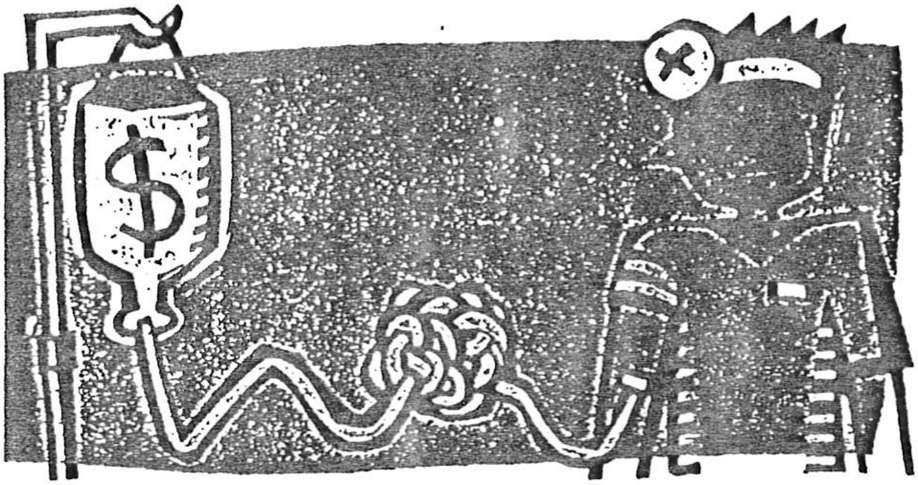


3

DOCTORING THE BUDGET NUMBERS

It was headline news when New York balanced its budget by selling Attica prison to its own Urban Development Corp. and then leasing it back. And when New Jersey sold 4.4 miles of its turnpike to a state authority to raise money, a blizzard of publicity followed. But Illinois has attracted little notice over the past few years while papering over budget deficits with an array of equally fancy fiscal gimmicks.

Illinois's theory of cash management is simple: If there's going to be a cash-flow problem, make sure it's somebody else's. Hospitals, for example, must now wait more than 100 days to be reimbursed for treating Medicaid patients; in the meantime, the $660 million owed to the health-care community keeps coursing through the state's fiscal arteries.

On another front, service station operators and retailers in Illinois have been given new instructions to rush their sales and gas tax payments to the state 10 days faster than before, to push $111 million more in revenues into the current fiscal year. And schools have been told to expect their last monthly payment of the fiscal year one month late. Thus, with an 11-month year, the state keeps an additional $175 million on the positive side of its cash balance. The problem with all this fiscal finagling is that it only offers a temporary respite. "When the next year comes around, you not only have to fix the new problems," says George Leung of Moody's, "but also the old ones that weren't dealt with."

Illinois, like many states, is also playing a shell game with Medicaid. In 1991, the state imposed an assessment on hospitals and nursing homes that treat Medicaid patients. The money is eventually paid back by the state to the providers so that they lose nothing in the process. But the federal government matches both the state's own funds spent on Medicaid bills and the assessment dollars, leaving Illinois's coffers richer.

Federal Budget Director Richard Darman has vowed to end this "sleight of hand," and by this October, Illinois will have to forgo the extra dollars or, more likely, impose an honest tax on all hospitals and nursing homes, which for many health-care providers will be a real expense. Illinois's political leaders knew the rules were about to change when they first levied the Medicaid assessment last year, but faced with a $1.5 billion budget shortfall, it's easier to play than pay.

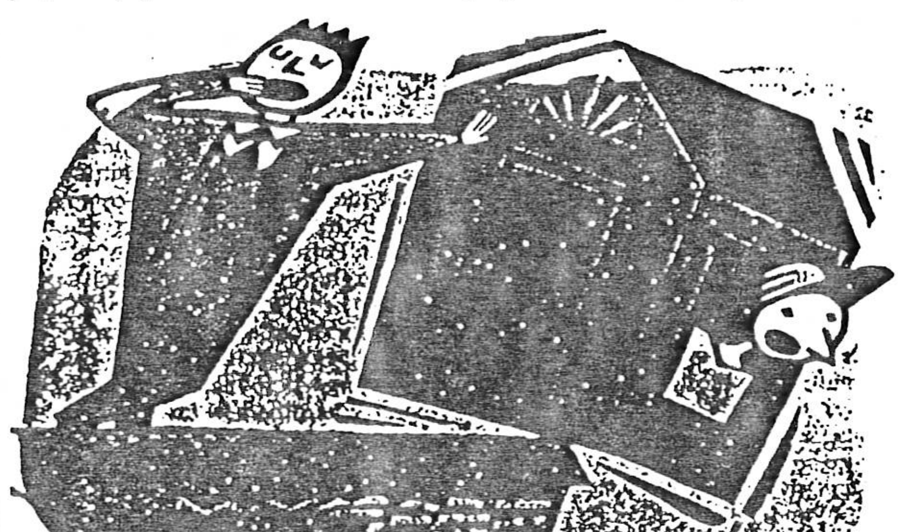
4

PUSHING REAL ESTATE OFF A CLIFF

During the late 1980s, Maryland's Montgomery County, located outside the nation's capital, was a real-estate paradise. Between 1988 and 1989, for example, median home prices rose 19.3 percent. But today, Montgomery has become purgatory for property owners, developers and construction workers. Single-family-home sales fell 45.3 percent from 1988 through October 1991, and thousands of construction-related jobs have been lost.

In the midst of this downturn, Montgomery officials have only made a bad situation worse. A month ago, they voted to impose a stiff excise tax on new-construction permits that, according to the Suburban Maryland Building Industry Association, will add some $5,000 to $6,000 to the cost of a typical new house. This extra expense is likely to squeeze developers out of Montgomery, reduce construction jobs and choke off growth and revenues at a time when the county is trying to escape recession.

Housing lows. Montgomery officials say they have taken the real-estate bust into account by phasing in the tax. But Robert Manekin, a commercial builder, says it will take two to three years for the building industry to turn around anyway, meaning the tax will weigh down construction just as it tries to get back on its feet. Manekin, who built 187,000 square feet of commercial space in Montgomery in the past decade, isn't developing in the county right now. He estimates the tax will add 4 to 5 percent to his project costs and 5 to 6 percent to the



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re charges to recoup those costs. Steve Eckert, a home builder, adds that the tax could result in 1,000 fewer county housing starts.

Montgomery may still mend its ways. County Executive Neal Potter, who sponsored the tax, proposed several ideas last week to improve real estate, including speeding up the approval of development plans and creating a capital fund for housing construction. Eckert calls the news "a good first step." But he would have preferred that Montgomery follow neighboring Prince George's County, which in 1990 passed up the opportunity to levy a state-authorized $1,100 per home construction impact fee for fear it would cripple the faltering real-estate market. Unfortunately, that may be happening in Montgomery today.

5

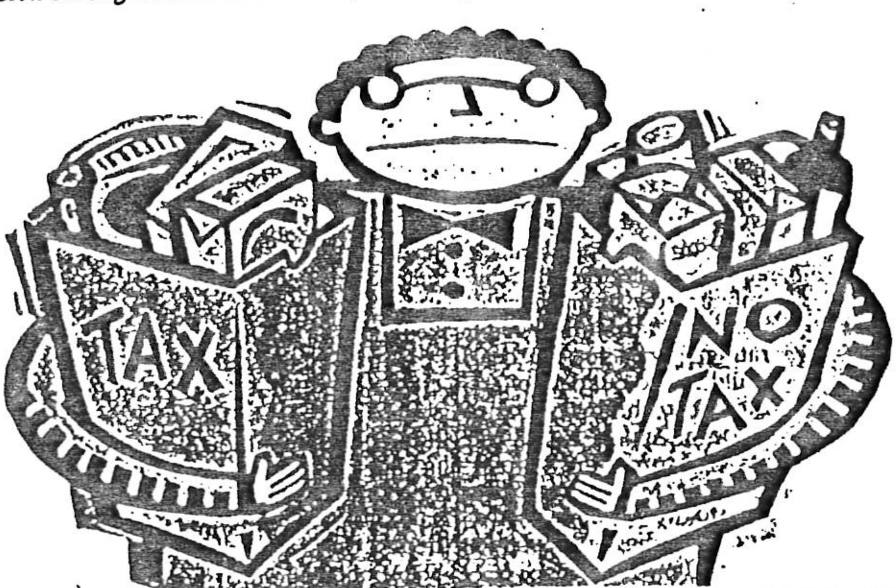
THE TROUBLESOME TWINKIE TAX

In 1990, Brad Sherman campaigned for a spot on California's Board of Equalization, the state's chief taxing authority, by touting his experience as a tax law expert. "Now I feel I've defrauded the voters," Sherman confesses. "They should have elected Julia Child."

Over the past two years, the California Democrat has been forced to study the distinctions between cupcakes and muffins and contemplate the subtleties of pork-rind flavorings as he implements the state's much derided "Twinkie tax." This effort by Republican Gov. Pete Wilson to expand California's sales tax to cover snack foods (all food was previously exempted) has led to confusion among food manufacturers, wholesalers and retailers, not to mention tax collectors. The gain from this costly administrative headache is just over $200 million, a mere 1.4 percent of the $14.3 billion budget gap it helped overcome. Irate grocers are well on the way to collecting enough signatures to put its repeal on the November ballot. The Twinkie tax is proving that nuisance taxes can be a nuisance to those who collect them as well as to those who pay them.

Slumping snack sales. The laughable levy is causing California more than just headaches. Sherman estimates that state tax collectors are spending millions of dollars categorizing more than 20,000 food items and deciding which qualify as snacks. One store owner estimates that his snack sales have dropped 10 percent since he began collecting the steep 8¼ percent tax. Grocery chains with laser scanners spent up to $15,000 per store reprogramming computer systems to separate the granola (not taxable) from the granola bars (taxable). And costs will be higher, but harder to measure, for the 16,000 California grocers lacking the sophisticated scanners; their cashiers must memorize which items to tax. Don Kaplan of Bonfare Markets in San Ramon has told cashiers that if they are in doubt as to whether to tax the pork rinds (yes, if they are artificially flavored; no, if natural) or the saltine crackers (only if they are in bite-size form), they should collect the tax.

It would be nice to believe that the snack tax is improving the health of Californians, but its arbitrary nature makes that unlikely. Rice and whole-wheat crackers are taxed while chocolate-covered ice-cream bars and doughnuts go untaxed. "If you want to know what's good for you," quips Sherman, "ask your mother, not your government."



6

SEARCHING FOR A FISCAL ANCHOR

Business leaders in New Jersey have been asking themselves what it takes to generate economic growth. Guess what? The answer isn't lower taxes. Staring down a tax repeal measure that threatened to plunge the state into fiscal chaos, corporations have stood behind a tax hike they once opposed. "We were not thrilled when the [1990] tax increase went into effect," admits Elissa McCrary of the New Jersey Business and Industry Association, "but business people don't want things changed every six months; they want to know what's coming in and what's going out." New Jersey executives have already learned this lesson, but the state's politicians have been slow to catch on.

Political poker. Last fall, Republicans campaigned relentlessly against the tax increase passed by Gov. James Florio and the Democratic legislature. When the voters threw the taxing legislators out—installing vetoproof Republican majorities in both houses—bitterly defeated Democrats called their rivals' bluff. In December, the New Jersey Senate voted to let all the new taxes expire on June 30, leaving it to the Republicans to show how painlessly they could replace the $2.8 billion in revenues.

The cost of such political retribution could have been a drop in the state's credit rating, drastic cuts in education and new taxes—perhaps more burdensome for business. And even the most ardent bureaucracy bashers were unwilling to sanction the brutal spending cuts needed to cover the tax shortfall. If New Jersey had laid off all 65,000 state

4-6

employees, for example, it would have saved $2.3 billion, but a $500 million fiscal gap still would have remained.

The repeal movement died two weeks ago, when the state Assembly failed to revoke the taxes. It's hard to gauge how much the fiscal turmoil has hurt New Jersey, but corporate location experts recently have been loath to recommend the state. "New Jersey had been an attractive state to business, but the situation became unstable," says consultant Doane Kelly. "It's an unhealthy environment."

7

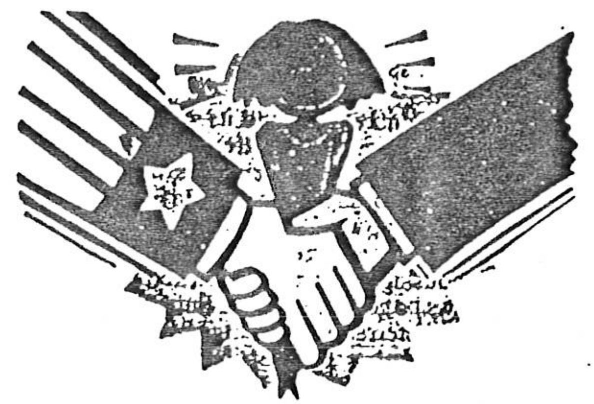
ROBBING THE STATES BLIND

If Minnesota invested $600 million in junk bonds, would the governor brag about it in public? That, say critics, is almost what the state did last month in a desperate, $820 million bid to snag a Northwest Airlines maintenance facility that will provide 1,500 to 2,000 jobs.

Corporate subsidies are constantly proferred by cities and states looking to boost growth. Arlington, Texas, for example, is currently planning to offer General Motors up to $10 million in incentives to keep 3,750 jobs in town. And Indiana last year promised some $400 million to persuade United Airlines to locate more than 6,000 jobs in Indianapolis. But Minnesota has surpassed all precedent, offering a two-part package that not only subsidizes new Northwest facilities but also lends the deeply indebted airline operating capital. The deal, which makes Minnesota Northwest's lender of last resort, means that 4 million state residents have just provided a $600 million low-interest loan that most banks would turn down in a second.

Because the vast majority of the total package comes in the form of state and local bonds and loans that Northwest is required to pay back, the whole deal has been presented to Minnesotans as a low-cost jobs program. But on closer inspection, it's no bargain. Economist Art Rolnick of the governor's Council of Economic Advisers notes that in the private market, where Northwest is listed as a "junk" credit, investors consider the risk of a Northwest Airlines default high enough that they would charge some $75 million more a year in interest payments than the state's bonds will yield. That, says Rolnick, is the real cost of the risk for Minnesota. In addition to the $120 million in direct subsidies, such as tax credits, residents will be paying nearly $200 million, or $130,000 per guaranteed job. Indiana, by comparison, is spending just $69,000 for each United Airlines job.

Crash landing? Supporters of the Minnesota venture defend the costs by saying that each dollar invested is multiplied as the new workers spend their salaries in the North Star State. But a recent survey indicated that fewer than half of Minnesota's corporate leaders think Northwest should receive any state money at all. Rolnick adds that since the state can only borrow so much without jeopardizing its credit rating, bonds for the deal could crowd out debt offerings for highways and schools. And if Northwest goes the way of Eastern and Pan Am, Minnesotans may have to brace themselves for a crash landing on the state's fiscal runway.



8

SQUEEZING AMERICA'S POOREST CITIZENS

During the Depression years of the early 1930s, the tax structure of North Carolina was so progressive that even the governor made too little money to pay taxes. In this downturn, however, the Tar Heel State is moving in the other direction. North Carolina recently raised taxes that will hit families that earn $20,000 a year twice as hard as those earning $90,000. This is in a state that has the fourth lowest manufacturing wages in the nation and some 13 percent of its population living below the poverty line. The culprit is the sales tax, which is considered the most regressive of the major revenue sources used by states, since the poor spend a greater portion of their incomes in stores.

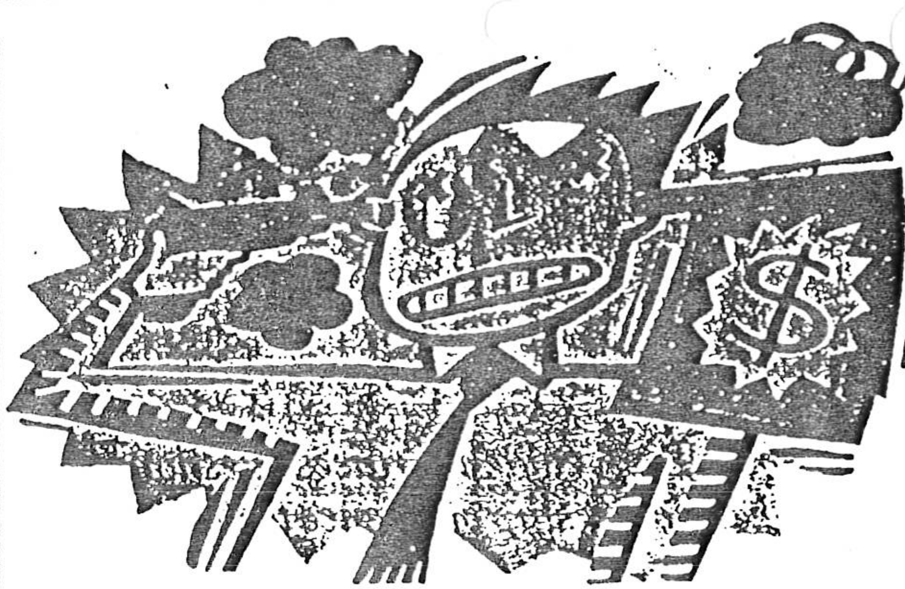
North Carolina's sales tax, which has been increased from 5 to 6 percent, is even more burdensome to the poor than are equivalent taxes elsewhere because it is one of the minority of states that taxes food. "It's very regressive to tax such a basic item of life," says Ran Coble, executive director of the North Carolina Center for Public Policy Research. A further drawback to sales taxes is that they are less dependable for a steady stream of revenue. Dave Crotts, a fiscal analyst for North Carolina's state legislature in Raleigh, notes that sales tax receipts have fallen 2 percent in real terms this fiscal year, while income tax revenues have kept up with inflation.

Despite the recent decision to increase sales levies, North Carolina's tax system has hurt the poor less than those in some other states. Top honors in that dubious category, according to Citizens for Tax Justice, a watchdog organization that monitors national tax trends, go to Texas and Washington State, both of which have even higher

4-7

sa xes. And North Carolina d make a gesture toward progressivity, by raising from 7 to 7.75 percent the marginal income tax rate on the wealthiest 1 or 2 percent of its citizens.

But the income tax rate increase accounts for only $51 million out of $657 million in new state tax revenue. The sales tax hike makes up most of the balance. On April 15, the wealthier residents of North Carolina will notice that last year's taxes were not especially friendly to them. But in grocery stores, the struggling poor realize it every day.



9

LOCKED IN BY LOWER PROPERTY TAXES

When the folks in the Echo, Ore., City Hall decided they needed to replace their 1952 dump truck, a new $50,000 hauler was out of the question. Property values in the town of 500 have been falling for three years, straining its $100,000 general fund budget. Instead, Echo picked up a 1978 dump truck for $4,300 from state surplus and drove it home to eastern Oregon. The vehicle already has 100,000 miles on it, but it had better last. Echo and the entire state of Oregon are in for a potentially catastrophic squeeze from a property tax relief referendum passed in the early months of the recession. Echo is losing nearly 10 percent of its budget immediately, and an additional 30 percent is at risk. Says City Administrator Diane Berry, "This will be the final blow for a lot of cities."

The property tax rollback, known locally by its ballot name, Measure 5, orders school-district property taxes to be phased down from their pre-referendum average of $18 per $1,000 of assessed value to $5 over five years. And because Measure 5 requires the state to replace lost school revenues, Legislative Revenue officer James Scherzinger estimates the government is careening toward a potential $2.3 billion shortfall in the $7 billion budget that begins in 1995 – proportionally far larger than the budget gap confronted by California this year. Schools will not be as immune as Measure 5's proponents once claimed either. Portland, for example, faces teacher layoffs and crowded classrooms in two years as the state cuts back on other forms of aid.

Tax politics. Most of the pain could be alleviated if alternative tax measures are found. But in the state of Oregon, every major tax decision is made at the ballot box, where voters have demonstrated a loathing for levies. And in the heavily populated boomtowns of western Oregon, Measure 5 has probably not yet inflicted enough damage to change people's minds. The move toward fiscal stability may only begin after all of Oregon knows the trouble Echo has seen.

10

COMMITTING ECONOMIC SUICIDE

You've hit bottom when you declare bankruptcy. Or so it would seem. But last June, when Bridgeport, Conn., became the largest city in the United States ever to file for bankruptcy protection, it dragged the local economy down even further. Realtor Sam Vimini says the bankruptcy claim dealt the *coup de grâce* to Bridgeport real-estate values, which have plummeted 10 to 25 percent since 1989. Paul Timpanelli, president of the Bridgeport Regional Business Council, adds that phone inquiries from companies thinking of moving to the city have fallen by approximately 50 percent since the bankruptcy announcement created such uncertainty. The Chapter 9 filing did succeed in focusing national attention on the plight of decaying urban areas. But while other cities may enjoy the sympathy, Bridgeport must endure the stigma.

The Connecticut city's finances also did not receive a boost from bankruptcy court. The state defeated the filing on the grounds that Bridgeport still had $25 million left over from a bond offering. Last week, Mayor Joseph Ganim dropped the appeal he had inherited from his predecessor. Though the city could more easily prove insolvency now, the conciliatory new mayor has no intention of giving the city's economy another black eye.

The only bankruptcy benefit likely to reach Bridgeport is that its sinking economy may now attract more bottom-fishing businesses. After a long exodus of companies, factory leases in Bridgeport are cheaper than anywhere else in Connecticut today. George Bellinger, a local businessman, also stands to make thousands of dollars from the city's bad reputation. The president of Bar-Pat Manufacturing says he was recently asked to bid on a contract to make steel cable simply because the customer figured any company associated with Bridgeport might be desperate enough to shave a few dollars off its price. ■

BY DON L. BOROUGHS WITH SARA COLLINS

4-8

PROPOSED AMENDMENT TO HOUSE BILL 2892

Amend House Bill 2892 by deleting all language following the word "use" on line 41 of Section 55(b)

THE EDMUNDS GROUP, LTD.

BUSINESS CONSULTANTS FOR COMPLIANCE WITH GOVERNMENT REGULATIONS

OVERLAND PARK CHAMBER OF COMMERCE
TESTIMONY FOR:

Kansas Senate Assessment and Taxation Committee

RE: HB 2892

March 25, 1992

Honorable Chairman, and Members of the Committee:

I appreciate the opportunity to present before you today, the positions of the Overland Park Chamber of Commerce, its members, and Board of Directors.

We appeal to your good sense as the higher House of the Kansas Legislature, in opposing HB 2892.

Obviously you will hear a number of oppositions today; The following are abbreviated reasons for opposition, which are further detailed in written positions that we have provided for you:

The opposition comes from both a practical and a philosophical standpoint. And for reasons that affect all Kansans.

We are very concerned that a quick reaction to one Judge's opinion will likely result in another bad situation similar to the classification problem.

The ramifications of increased taxes would severely harm the economic force within Kansas, and according to a University of Kansas study, will eventually result in no net revenue gains.

If a top corporate income tax rate of 7.4% were adopted, Kansas would be placed at a severe developmental disadvantage in this region. We acknowledge the effort to reduce the load for small businesses, but In the Eastern part of our state anything close to a 7.4% rate would make it increasingly difficult to compete for revenue producing corporate headquarters. With their federal deduction, Missouri's effective income tax rate is only 3%.

Under the plan outlined in HB 2892, the Education issue is being used to give the appearance of providing property tax relief, when in actuality none of the new money is earmarked strictly for education, and we are liable to have to start all over again next session.

SENATE ASSES. & TAX
3-25-92
ATT. 5-1

11715 WEST 101 STREET • OVERLAND PARK, KANSAS 66214 • 913-894-1000 / FAX 894-1002

OVERLAND PARK CHAMBER OF COMMERCE
3/25/92 TESTIMONY
BEFORE THE SENATE ASSESSMENT AND TAXATION COMMITTEE
Continued

With regard to the uniform mill levy, we are in opposition since properties across the state have not been appraised equally. Inequity also exists because of vast abatements issued by various municipalities (Overland Park has resisted these tools of economic development, but would no longer be able to under the proposed plan). And a minimum or uniform mill levy is the first step toward loss of local control and a fiasco tantamount to those experienced in other states and other public school districts.

The weighting aspect of the proposed formula would run counterproductive to efficiency measures by giving dis-incentives to consolidation. With 304 school districts already in Kansas, and a disparity of 45,000 students in the largest district and 75 students in the smallest, there is a great need for positive steps toward providing incentives to consolidate.

It is too easy to just raise taxes. And with a 29 mill, or any other uniform levy, it becomes far too convenient to just notch the rate up in order to pay for anything that comes along.

Rather than overreacting and changing the entire tax system, which is not necessarily broken but just underfunded, the Overland Park Chamber of Commerce supports a prioritized funding measure which values highly the education of our children, and utilizes as much existing general-fund revenue as possible in order to assist poorer districts and meet constitutional requirements.

Thank you very much.

Respectfully Submitted,

Fritz Edmunds, Jr.
Chairman, State Affairs Task Force

2. EDUCATION/SCHOOL FINANCE:

A. SUPPORTS: THE KANSAS LEGISLATURE ADDRESSING THE ISSUE OF SCHOOL FINANCE.

We urge an effort to carefully examine the existing system, explore possible modifications to adjust it and avoid overreacting and trying to create a new system that might inadvertently cause the deterioration of public education in Kansas.

B. SUPPORTS AND URGES: THE JOHNSON COUNTY DELEGATION TO WORK TOGETHER ON SCHOOL FINANCE ISSUES.

The economy of the county is highly interrelated and transcends school district boundaries. Each district has businesses and/or a labor force that relies on other districts to grow and prosper.

C. SUPPORTS: ADDRESSING SCHOOL FINANCE AS A PART OF THE BIGGER STATE SPENDING AND TAX POLICIES ISSUE.

Funding public education should be the top priority of state government. State spending has exceeded revenues for several years. The legislature should control spending, prioritize those areas most important, fund those priorities, and install a system of accountability to ensure efficient operation.

D. SUPPORTS: THE DESIGN AND IMPLEMENTATION OF OUTCOMES BASED PERFORMANCE STANDARDS TO BE MET BY PUBLIC SCHOOL DISTRICTS.

A reasonable method to determine the best use and accountability of revenues to local districts is to establish the skills and learning levels to be achieved during the public school experience.

E. SUPPORTS: SCHOOL DISTRICTS MAINTAINING LOCAL CONTROL.

This also includes support for local control of capital improvements/ maintenance. Although some power equalization may need to occur, a local match for capital outlay, which exceeds the state's, will allow continued local control.

F. SUPPORTS: REASONABLE CONSOLIDATION OF DISTRICTS AND SERVICES.

Consolidation of this type will promote the efficient use of limited revenues and resources and allow improved education opportunities for all districts in the state.

Home Builders Association of Greater Kansas City

600 EAST 103rd STREET • KANSAS CITY, MO 64131 • PHONE 816-942-8800 • FAX 816-942-8367

Remarks to the Senate Assessment and Taxation Committee
Wednesday, March 25, 1992
School Finance Tax Package

Chairman Thiessen and Members of the Committee:

Thank you for the opportunity to speak to you in **opposition to the elimination of the sales tax exemption on original construction.**

My name is Brad Taylor, President-Elect of the Home Builders Association of Greater Kansas City and its 1100-members providing housing for Johnson Wyandotte, Leavenworth, Miami, Douglas and Franklin counties. Our membership represents approximately 20,000 employees whose jobs are tied to residential construction as well as the interests of future Kansas home buyers.

I want to state again our **support for good schools and a quality education for our young people** in Kansas. As a parent with children in the Olathe School District and as a small business owner, I will experience the ramifications of your decisions at every level--as a parent, property owner, business owner, employer and member of an industry whose future may be at stake. While a property tax savings would be attractive to me in Olathe, **I cannot support a plan that will certainly mean the loss of countless jobs to our industry with a rippling effect through their families as well as our state and local economies.**

Worker's compensation increases will be as much as 62% for some construction employers this year. **Lumber prices are expected to increase by as much as 25% by summer's end.** The cost of making a sewer connection in parts of Olathe will likely increase by more than $2,000 for some builders in the next 30 days. **These are costs that simply cannot be absorbed by any market without serious repercussions.** If a buyer can cross state line and qualify to purchase the same new home in a AAA-rated school district for $5-$10,000 less, he or she will certainly do so.

This tax would be added to every aspect of original construction--not just labor. According to the Department of Revenue, our original estimates of the tax on a $90,000 home in Lawrence or Leavenworth should be doubled from approximately $2,000 to over $4,000. The $80,000 home in Paola would see a tax impact of just over $3,800 rather than the original estimate of $1,900. **We cannot support a plan that means many young families struggling to qualify for financing will be unable to pull together the down payment necessary to achieve the stability and security that comes with homeownership.**

The Governor recently called for a new Department of Commerce and Housing with a mission of bringing affordable housing within the reach of all Kansans. One must now ask **how the Legislature can consider adding these costs at the same time that they recommend the need for a state housing agency?** And, with the call for property tax relief, the Governor and others miss the point that new home prices have a direct impact on existing [redacted] home values, driving them up. New homes are used as comparables in appraising existing homes. **As new home prices are driven up by added costs, existing home prices go up--and so do their assessed valuations--and finally, so do property taxes, creating the same effect the Legislature is working to relieve.**

As you prepare your tax package for consideration, we respectfully request that you reinstate the sales tax exemption on original construction and **give a vote of confidence to home buyers in Kansas and to the construction jobs whose families depend on a healthy housing industry.** Thank you for the opportunity to be heard.

SENATE ASSES. & TAX
3-25-92 ATT. 6

REALTOR ®

Johnson County Board of REALTORS®
6910 W. 83rd Street, Suite 1
Overland Park, Kansas 66204-3997
(913) 381-1881
FAX (913) 381-4656

I am Kirby Deeter, representing the Johnson County Board of Realtors and I'm here to address the 7% tax on the labor portion of new construction.

One of our concerns is that it seems to us that more and more critical economic decisions are being made with too many "unknowns" - - - and it's our position that we are dealing with some "unknowns" on this issue as well.

Perhaps this 7% tax can be absorbed by the market - - - but we don't know, for sure.

Therefore, we're not here simply to oppose yet another tax on the housing and real estate industry but to fulfill our obligation to make sure that you are as informed as you possibly can be of the economic risks, and to remind you of some possible conflicts.

For example, while we're not sure that there is ever a good time to apply such a tax, we feel confident that now is not the time to increase the cost of new construction.

At a time when real estate and business is still reeling from the adverse affects of classification, the 1986 Tax Act and the recession, it seems short-sighted to further discourage new construction that otherwise might be feasible, and to further burden the housing and commercial real estate industry which seems to be overly burdened already.

SENATE ASSES. & TAX
3-25-92 ATT. 7

Why do we feel this way? Well, let's see what a 7% tax on labor will do to the cost of a $2,000,000 commercial/office building?

While of and by itself a 3-4% increase doesn't sound prohibitive, again, this seems to us to be conter-productive to many of our other objectives (long-term property tax relief, tenant rent relief, etc.).

Because of the economic benefits that we receive from the trickle-down effect of new construction, we should be doing everything we can to encourage new construction, rather than discouraging new construction.

Finally, I want to remind you of another possible conflict.

I recently received an information piece describing the Governor's new housing organization. I would appreciate a brief moment to read a couple of excerpts.

(Refer to Article)

We bring this to your attention simply because one of the primary objectives of this nation as a whole, including the State of Kansas, is to bring about improved and more affordable housing and it seems to us that since this <u>is</u> one of our objectives that a 7% tax on new construction is a step in the wrong direction.

We appreciate the opportunity to appear before you and hope what we've presented has been somewhat informative and somewhat helpful in your challenging decision-making process. Thank you.

SALES TAX ON LABOR IN ORIGINAL CONSTRUCTION
(as proposed by the Kansas House of Representatives)

$2,000,000 Commercial Building in Overland Park, Kansas

22,000 Sq. Ft.

A.	Shell Cost:	$41.00/Sq. Ft.
B.	Interior Finish:	$16.00/Sq. Ft.
C.	Land and Indirect Costs	$33.00/Sq. Ft.

AVERAGE COST OF LABOR (39.31% of A & B only) $786,277.00

TAX: 6.6% $51,894.00

ADD INTEREST OF 10% ON CONSTRUCTION LOAN
FOR 6 MONTHS $2,281.00

ADD OVERHEAD AND PROFIT OF 7.25% $3,762.00

TOTAL COST ON BUILDING $57,937.00

ADD MORTGAGE RELATED COST @ 2% $1,158.00

TOTAL FINANCED $59,095.00

TOTAL OVER 30 YEARS @ 9 1/2% (paid by owner) $178,885.00

EFFECT ON MONTHLY PAYMENT...... $496.00

EFFECT ON RENT .... $.32 per Sq. Ft.

(REPRESENTS A 3 TO 3 1/2% INCREASE)

TESTIMONY

Presented to

The Kansas Senate Taxation Committee

by

Russell Branden

Elementary Principal, U.S.D. 374

Sublette, Kansas 67877

Mr. Chairman and Members of the Committee:

I am Russell Branden, Elementary Principal for the Sublette Unified School District 374. This is my 30th year as a Kansas Public Educator and I come before you to express concern about the current proposal to finance our schools. The issues at hand are complex and while the task is complicated by the nature of a diverse population, geography, and local wealth, the decision to let local districts maintain control of their own destinies cannot be ignored.

At 29 mills, a state wide levy would not hurt our district but the concept (state wide levy) would be established and history has clearly indicated that once government regulation is in place we add more. When the shortfalls come, will the legislature be willing to search for additional funding or will the 29 mills become 45 or 58 or ? Will the legislature be willing to address a sales tax

SENATE ASSES. & TAX

3-25-92 Att. 8-1

that provides for minimum exemptions? Has your committee explored the present equalization formula as adopted by the 1972 Kansas Legislature if you were to provide full funding? The Kansas Supreme Court has not ruled the formula to be unequal and I urge you to not be quick to act because of one opinion issued by one judge.

The second issue is one of local control. The Kansas State Board of Education has embarked upon an ambitious plan to move all districts into QUALITY PERFORMANCE ACCREDITATION over the next four years. The heart of the program embraces the notion that local communities will write their own School Improvement Plans, create their own mission statements, establish local outcomes for their students and monitor local progress. One agency of Kansas Government (KSBE) has confidence that local people solve local problems best and I encourage you to consider that philosophy as you analyze school finance. The very fabric of the small rural community centers on school, sound educational programs, and children. I am convinced that with more localized control, there is greater efficiency with money, personnel, and instructional strategies.

I believe we have a sound educational system that allows children to grow, mature, and achieve. We have a quality of life that is positive and bright and is "OURS" by choice. As we prepare to move into the 21st century, please do not jeopardize the future of our schools by imposing additional government control and a funding system that will ultimately not work.

I want to thank you for the opportunity to appear before you today. I will attempt to answer any questions you may have.

I appreciate the opportunity to speak to the Senate today on the problem of financing our educational system in the State of Kansas.

My name is Darol Rodrock and I'm involved in Residential Development. I live in Gardner, Kansas.

More than most who speak to you on this subject, I understand the urgent and on-going demand to finance our schools. I have a Masters Degree in Education from the University of Kansas and spent 11 years of my life as a school teacher in Kansas schools. I truly understand how important education is to all of our citizens. I am sure as each of you focus on the need to raise revenue for such an important cause, that you will truly focus on the educational opportunity of each and every child that receives his or her education in our state.

I am not here today to testify on which plan is the best for the state. I am not qualified to do that. I am, however, here to accomplish two things. First, to let you know that we cannot let down in the battle to fund a quality educational program. I must tell you that leaders in the past, like yourselves, helped develop quality schools in our state. To that degree, my entire life has been changed by receiving a quality education in this state. Education has so greatly enhanced my life. We must continue to focus on financing a quality educational program.

The second item I would like to bring to your attention today is to help you understand and appreciate that in my

SENATE ASSES. & TAX
9-25-92
att. 9-1

opinion a 7% sales tax on all new construction in our state would have a devastating impact on thousands of families in Kansas.

Let me make my point. According to the US Bureau of Census by the latest figures available, there are close to 50,000 people employed in the construction business in Kansas. Each of these families depend daily on new construction to make their house payments, car payments, buy groceries and send their children to school. Must of you can probably appreciate that many of these people have no other way to make a living. They literally dig ditches, drive mails, pour concrete, carry lumber or do whatever skills they have developed in their particular trade.

It is not unlikely that most are not highly educated and could not readily find a job if they were laid off. Quite frankly, it is not unusual that most receive unemployment benefits in the winter due to our hard conditions.

The fact is, that a large number of families live pretty much hand-to-mouth when it comes to making a living.

To illustrate this, the average income for a construction worker in Kansas is $23,000 per year.

Everytime the cost of a new home is increased fewer people are able to buy that home. This means fewer homes built and fewer jobs in the construction industry. As you must know, nothing is a devastating to a family than to have the breadwinner out of work. In many cases, families are disrupted and I can testify from my childhood that families are often dissolved due to financial hardship. I want to assure you that many, and I do mean many, of these 50,000 people, real people, would lose their jobs if the tax on new construction is implemented. These jobs would literally just disappear.

It seems to me that at almost any cost, politically or economically, we could not pass a tax bill that would send many families out of work. A family, by the way, that has been struggling an an industry threatened by a lengthy national recession.

As I said before, most of these families make an average income of $23,000 and have skills in the construction industry.

I would like to recommend to the committee this thought: Let us all pay equally. Do not attack an industry that will cost jobs in our state and disrupt families. Let us all pay equally across this state the mill levy, rather than politically attacking those not here. The simple fact of this matter is that literally thousands of families would lose their jobs and would never quite understand why.

Yes, I understand, that in fact their own property taxes might by higher under a different plan, but I tell you this, that construction workers would rather have a job and be working daily to hold his family together and pay a little higher tax than be out of work.

Thank you for giving me this opportunity to speak to you today. I earnestly believe that the strength of our future rests on two very important issues. A strong commitment to a quality education and second, a commitment to a strong family.

As you proceed with your decision on this very difficult process of choosing a method of financing our quality educational system, let me be an influence on your conscience by encouraging you to accomplish both.

Thank you---

Darol Rodrock

I encourage you to have the leadership and wisdom to develop a program for our school financing that will have a positive affect on job creation in our state. The future for all of us and our children that would like to call Kansas home will depend on their ability to find employment.

Prepared by Joanne K. Altieri, Kansas taxpayer

I was asked here today to share with you my recent experience in trying to purchase a new home. The proposed tax on the labor cost of new home construction would have put me out of the home-buying market.

I am currently employed at the University of Kansas and I have taken several hours of my vacation time to be here today. I am also a single parent of two children ages 7 and 9, and I receive very small and sporadic payments from my ex-husband for child support. With my mother's financial help toward a down payment, I managed to purchase a small starter-type home in a good neighborhood five years ago. It was a struggle to make the payments, but I've managed to pay all my bills and build an excellent credit record in the process.

As my children grow older, my daycare expense is beginning to decline. I wanted to make the best use of the money I was no longer spending for daycare, and because of the lower mortgage interest rates, I started to look for a larger home. I was looking for a home that would give us enough room to allow my children to have their friends over, without having to sit on "Mom's" lap. After seven months of looking, and two ~~previous~~ unsuccessful attempts to purchase other homes, I finally have a new home to look forward to. If my builder had to increase his price on this home to comply with this tax, it would put me over my qualifying limit.

Both of my previous attempts to purchase a home fell through because of different financial problems. I had to let the first home go, because I could not close on the sale of my current home in time to close on my new home. With one income, I could not risk owning two homes at the same time...not even for a week or two. The second suitable home I found happened to border a flood plain, and the flood insurance required by the mortgage company was enough to put me over my budget.

When I found the home that I am trying to purchase now, I still had difficulty. The interest rates were going up again and I could no longer afford to borrow 90% of the cost of the home. After some quick calculations, I determined that I would barely qualify for a loan of $65,000, and I would have to come up with the balance in cash. Goodbye savings account!

But that was not my only problem. The increasing costs of lumber were causing all the builders to have to increase their selling prices. One builder in Lawrence that I know of, had already gone up. My builder had plans to increase his price the next day. Stress had already reached a crescendo and I was ready to throw in the towel and live in the streets with my kids, my dog, and my piano. My real estate agent started to beg everyone... the loan officers, my builder, his wife.... My builder agreed to give me another day to secure a loan before increasing his prices. After calling every loan company in Douglas County, I finally found one willing to give me an eighth of a percent break on his lowest rate, so that I would still be able to qualify for the loan.

SENATE ASSES. & TAX
2-25-92
ATT. 10-1

My point here concerning the tax on new home construction is this: None of the three houses I had found suitable, would have been options to me if this bill had become a law. An increase in the price of any of these homes, because of my tight budget, would have made them all out of my financial reach. After everything else I had gone through, just trying to take advantage of the reduced home mortgage rates, I would have been totally knocked out of the water by a tax on new home construction. And just in case it hasn't been brought to your attention enough, in my opinion, raising the price of new homes generally has an inflationary effect on existing home prices. That would affect the price on any home I tried to purchase, new or old.

One last comment... although the purpose of this tax, in part, is to help reduce real estate taxes in general, I see it as a deterrent for first time home buyers. Real estate taxes are expensive, but they are, at least, tax deductible. The increased price on a new home, that this tax would cause, would put many others, beside myself, out of financial range.

TESTIMONY
OF

DENNIS ZIMMERMAN
CEO/DIRECTOR

GRANT CO. CHAMBER OF COMMERCE
GRANT CO. ECONOMIC
DEVELOPMENTCOUNCIL

PRESENTED BEFORE

THE SENATE
ASSESSMENT AND TAXATION
COMMITTEE

March 25 ,1992

RE: HB 2892

SENATE ASSES. & TAX
3-25-92
ATT. 11-1

Chairman Thiessen and Members of the Committee:

My name is Dennis Zimmerman, and I am the Chamber CEO and the Economic Development Director for Grant County.

We stand in opposition to HB 2892. Up front, let me acknowledge that for Grant County, HB 2892 is a win-lose situation. Our mill levy will decrease by 2 mills and our projected '92-'93 school budget will experience a $500,000 decrease.

We stand in opposition to any school finance formula or reform that proposes any statewide uniformed mill levy. We do this not because we are against children, we do have some of them in Grant County, or because we want other property owners to be burdened with excessive property taxes. We oppose a statewide uniformed mill levy because we believe it to be contrary to the basic philosophy and present policies of this state. Any way it's described, statewide uniformed mill levy - ad valorem tax, to us, means centralized state control vs local control.

In February two school finance experts testified before the Senate Education Committee. In their testimony they discussed several issues. One of these was that the Legislature really had two options; 1) Revamp and fully fund the present formula, or 2) enact a radically (the expert word) new school finance formula.

The experts also stated that the Legislature should **NOT** spend a lot of time trying to second guess the courts.

We basically agree with the experts. We support revamping the present formula, making it as fair and equal as possible and, most importantly of all, fully fund the formula. We propose that you:

Enact Video Lottery	$30 million
Enact 3/4% sales and use tax increases	$174,400 million
Enact individual income tax	$138,000 million
Corporate tax increase	$8,000 million
	$290,430 million

We oppose removal of any tax exemptions. We support city and county tax abatement incentives but believe that all property owners, businesses, industry, homeowners and farmers should pay school taxes.

According to the figures that we can obtain, to fully fund the present formula it would take $285 million. It seems to us that with the above facts, the present formula revamped and fully funded, school districts would experience a reduction in property taxes, that there would be a shift away from such a heavy reliance on property tax and, most importantly, Kansans would maintain their longtime philosophy that property taxes and schools are better served by local control.

Mr. Chairman, members of the Committee, we believe that there are many, many unanswered questions and problems with the new radical school finance plan contained in HB 2892. We believe it to be extremely important that these questions and problems be answered before this state enacts a totally new concept and philosophy in school finance.

We ask you to act for the long term, not the quick fix, interest and welfare of Kansas property owners, tax payers and the children of Kansas by revamping and fully funding the present formula, which, we believe, will bring real future property tax relief to all Kansans.

Finally, the people of Grant County don't want to secede from Kansas.....what they want to do is succeed in providing their children with a quality education that will prepare them to compete with other Kansas children in our world economy.

Thank you for your time and dedication for the betterment of Kansans and for this opportunity to be heard.

TESTIMONY

SENATE ASSESSMENT AND TAXATION COMMITTEE
HB 2892

March 25, 1992

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

My name is Greg Bauer, Chairman of the Board of the Wichita Area Builders Association as well as a member of the Executive Committee of the Home Builders Association of Kansas. I appreciate the opportunity to appear today in opposition to HB 2892 on behalf of the membership of the Home Builders Association of Kansas.

Our opposition to this legislation is not based upon a lack of support for quality education or support for inequity in the funding for education. However, unlike some supporters of this of HB 2892, we believe there must be a day when the educational system must operate in a fiscally conservative, efficient and businesslike manner. It must be held accountable for the fulfillment of the "job description" and operate by utilizing sound business management practices. The taxpayers and the economy of Kansas should demand such from the elected officials at all levels of government.

We cannot disagree with a statement made in previous testimony by a proponent of HB 2892 which stated that federal mandates and court decisions have exacerbated the financial woes of the State. However, responsibility for increased government, increased services and an insatiable appetite for revenue to further expand must be accepted by the elected officials and administrators here in Kansas.

Taxpayers want tax relief. They do not want tax shifts. The current dilemma of the legislature appears centered on where to add additional taxes which will be tolerated by, or less visible to, the taxpayer. Such is the case with the removal of the sales tax exemption on new construction labor contained in HB 2892. It is not viewed by the proponents as a **NEW** tax. It provides a large amount of revenue to fund the expensive school formula developed, is not readily visible to most taxpayers, and, unlike other services which could be taxed, cannot leave the State to escape taxation.

Does it achieve the stated goals of the Administration and the Legislature?

SENATE ASSES. & TAX
3-25-92
ATT. 12-1

One stated goal of this administration is to provide affordable housing for "ALL CITIZENS OF KANSAS". ERO 23 was approved by the Legislature to enable us to utilize federal housing programs and assist Kansas citizens to obtain "affordable housing". Yet the proposal before you will increase the cost of a $50,000 house by $1,000, if you pay state tax at 5%, without consideration for the local option taxes found in many areas, and will increase other expenses associated with the construction of a new structure. We anticipate the additional cost in most areas will be $1,500 to $2,000, depending on the permitted interpretation of taxable costs. We believe legislators are assuming taxes will be charged on only the hourly or contract labor in constructing the product when in actuality the tax will be expanded even further than envisioned by House proponents.

The National Association of Home Builders Economic Dept. advises us that an increase of $1,000 in the cost of a new house will price 1% of the home buying public from the market. Furthermore, for every $1,000 increase in the cost of construction, there will be 200 fewer homes constructed in Kansas which will cost 335 construction jobs and 520 additional jobs lost in related fields. This is a total of 855 jobs projected to be lost for every $1,000 increase in construction.

In 1990, the average cost of a new residential structure in Kansas was just over $92,000, with single family residential construction dollars standing at $582,264,651. According to the U.S. Census Bureau stats, multi-family construction dollars stood at $74,817,426 and non-residential at $300,100,000 for a total of $957,182,077 worth of construction in Kansas in 1990. Final 1991 statistics are not available. However, preliminary figures indicate a decrease in multi-family and non-residential construction.

The construction industry is historically viewed as the catalyst in leading the economy out of a recession. If we decrease the amount of residential construction by the amount projected by NAHB, the economy of Kansas will be negatively impacted by the removal of this sales tax exemption. The construction industry is struggling with rapidly escalating prices for materials, due to impacts of environmental regulations, and increased costs due to code revisions.

1990 data from the Federation of Tax Administrators indicates that only 12 states tax new construction labor while only 14 states, including Kansas, tax remodeling labor. Three states join Kansas in exempting new construction labor while taxing remodeling.

The business climate of any state must be strong if the housing industry is to flourish. Prospective buyers must feel secure in their employment future, if they are to consider purchasing a home. It is true that property taxes in Kansas have created a cloud on the business economy. However, the leadership of HBAK has not been convinced that the current provisions of HB 2892 will provide the business community with more than short term, "quick-fix" property tax relief. We believe that without a cap on real property taxes the 29 mill levy, which is being used to sell this proposal this year, will increase to the current level as new sources of revenue are sought within two years. This is supported, we believe, by the projections dated 3/20/92 and distributed by the Legislative Research Department. What happens in two years? Will the "new sources of revenue" include removal of other exemptions which will damage another portion of the economy?

In conclusion, the site-built residential construction industry is being singled out for removal of their exemption while, under HB 2892, the manufactured housing industry is allowed to retain the sales tax exemption it recently obtained. This places an industry, which produces its product in Kansas and greatly contributes to the Kansas economy and employment market, at a competitive disadvantage and we urge the Committee's strong consideration of this provision as they deliberate on this issue.

The Home Builders Association of Kansas requests restoration of the sales tax exemption on new construction labor by this Committee.

OLATHE
CHAMBER
OF COMMERCE

March 25, 1992

TO: Senator Dan Thiessen and Members of the Assessment and Taxation Committee

FROM: Donald R. Goss, President, Olathe Area Chamber of Commerce

RE: House Bill 2892, School District Finance Act

Senator Thiessen and members of the committee, the taxing areas for education finance you are dealing with today will have a major impact on our community and Johnson County.

The loudest cry we receive from commercial business and industry is give us tax relief. We hear them saying more and more, "residents send children to school, not commercial property." We don't believe their cry is to get out of paying their fair share of taxes, we do believe it is a message that without tax relief they will be looking elsewhere to locate their businesses.

Unfortunately we must speak as opponents to many of the provisions developed in the House to fund education. We cannot support them because they do not provide tax relief to business and industry, they provide a shift in an already high tax burden and reduce our ability to compete for new economic development projects. We are most concerned about the expansion of taxes in exempt classifications. Each exempt area holds the potential reduction of our ability to attract new business and industry.

Today you are considering the funding provisions outlined in House Bill 2892. I will be borrowing information in a report just released by the Johnson County Research Institute to tell you how these funding devices will impact Johnson County.

Johnson County residents will pay 18 percent of the increased sales tax proposed by this legislation. According to the CERI report we currently pay almost 18 percent of the state's total sales tax collections. The increase in sales tax would make combined rates in most of Johnson County's communities higher than most of the communities along the Missouri border.

128 S. CHESTNUT
P.O. BOX 98
OLATHE, KANSAS
6 6 0 6 1
913 • 764 • 1050

SENATE ASSES.&TAX
3-25-92
ATT. 13-1

The utility tax would account for two percent of the state's total. Estimates place the statewide impact at $33.3 million, Johnson County would account for $661,000. Missouri, however exempts the sale of electrical power to manufacturers if the cost exceeds ten percent of the production cost. Removal of this exemption, states CERI, "would put Johnson County at a comparative disadvantage in the incubation, attraction and retention of manufacturing establishments."

Johnson County would account for 20 percent of the dollars the state would collect in interstate and intrastate telephone calls. This again puts our county at a comparative disadvantage with Missouri, which exempts interstate telephone service from sales tax.

Reports from contractors in our community state the proposed sales tax on new construction could put them out of business. CERI's report indicates that 25.6 percent of the state's new construction in 1991 occurred in Johnson County. Placing a sales tax on this new construction again puts our communities at a comparative disadvantage to our counterparts in Missouri, who exempt sales tax from construction services.

Johnson County residents currently pay about 25 percent of the income taxes collected in Kansas. The increase in personal income taxes will impact more heavily on the corporate Chief Executive Officers who have chosen to live in our County. One-third of the proposed increase in personal income tax will come from Johnson County residents.

The corporate income tax increase suggested in House Bill 2892 will make Kansas taxes substantially higher than Missouri's flat corporate rate of five percent. Estimates by CERI show that just under 25 percent of the taxes will come from Johnson County companies. The total tax package, according to CERI will again "place Johnson County at a comparative disadvantage in attracting and retaining larger, established firms."

Without the new provisions, Johnson County is paying a sizeable share of the taxes already collected by the state. The argument we hear is that commercial and industrial property owners will see a substantial decrease in property taxes. We can't deny the reduction in property taxes, but it appears, based on CERI's report and a report produced by Kansas, Inc. that Johnson County business will not see tax relief, only a shift in what kind of taxes they pay.

As an organization attempting to create additional commercial wealth for our school district, we are concerned. The taxes suggested will only make it more difficult to attract new projects that help create that wealth. The marketplace for new and expanding industry is highly competitive. Placing a tax on new construction will cause many large projects to look elsewhere.

We recognize the need to shift, or increase taxes. Tight budgets and finite revenue sources make it impossible not to increase taxes somewhere. We feel it doesn't make fiscal sense to put a tax on exempt areas that can potentially increase a district's wealth. We are also concerned that increasing corporate taxes to the levels suggested raises relatively few dollars, but potentially puts our state out of contention for larger firms that will create added valuation for our tax rolls.

Our organization acknowledges an increase in sales tax and personal income tax may be needed to meet education funding demands. They are the only tax areas that hold the least fiscal impact for our community and county. We urge you to look at these areas first, before reducing our ability to compete for new construction and new jobs.

TESTIMONY
OF

ETHEL EVANS

ON BEHALF OF
THE

KANSAS LEGISLATIVE POLICY GROUP

PRESENTED BEFORE

THE SENATE
ASSESSMENT AND TAXATION
COMMITTEE

March 25 ,1992

RE: HB 2892

SENATE ASSES. & TAX
3-25-92
ATT. 14-1

Chairman Thiessen and Members of this Committee:

I am Commissioner Ethel Evans. Today I appear on behalf of the Kansas Legislative Policy Group (KLPG), which is an organization of County Commissioners representing 22 counties. The Board of Directors voted unanimously to oppose any bill that contains a uniform statewide property tax mill levy.

We have numerous concerns. The first of these is local governments' control. If the state mandates a uniform school levy, it places the rest of the local taxing entities in direct competition with the state for the local property tax dollar. That is if we are even allowd to compete, because a uniform school levy will probably result in a strict tax lid on all funds for local services.

As a County Commissioner whose responsibility is to provide services of:

Fire Protections
Senior Citizen Program
Library
Ambulance Service
Airport
Hospital
Roads and Bridges
County Health Department
Care Homes for the Elderly
Police and Law Enforcement

These are the kinds of services that the citizen expects and deserves -- these along with education are the life-lines and livelihoods of our communities. A statewide mill levy on local properties will jeopardize the <u>local services' tax structure</u>. The loss of any more financial control of any one of our local governments would eventually lead to loss of all local governments' control.

Onto another concern - "equal taxation". This bill will amplify the inequities of appraised properties across this diverse state, resulting in another statewide re-reappraisal. Back again to the loss not only of local control, but legislative state control under the watchful eye and the ticking stop watch of the courts.

Another fact to be considered - education will have to be defined in order for it to be affordable. Those who support a uniform school levy have done so on the premise of equal funding for equal services. Does this mean uniform class size, the exact curriculum, comparable equipment, facilities, extra-curricular activities and teacher competence? Is this equal education opportunity? As with reappraisal the inequities will be enormous. Once again, back to the courts we go.

There is no doubt that many communities need property tax relief, whether they are victims of reappraisal, classification, mandates, exempted properties or truely are a poor district. A uniform school levy is only a temporary property tax relief for many Kansans today. This is a bill that funds yesterday's education at the expense of the loss of local governments' control for tomorrow. We need a long term solution that benefits both education of our children and a fair and equitable funding mechanism that all Kansans and her industries can share. I ask you to oppose this bill and any other bill which mandates a uniform statewide mill levy.

Thank you for this opportunity to testify.

KANSAS ASSOCIATION OF REALTORS

REALTOR®

Executive Offices:
3644 S. W. Burlingame Road
Topeka, Kansas 66611
Telephone 913/267-3610

TO: THE SENATE ASSESSMENT AND TAXATION COMMITTEE

FROM: BILL POWELL, PRESIDENT-ELECT

DATE: MARCH 25, 1992

SUBJECT: HB 2892 SCHOOL FINANCE

Mr. Chairman and members of the committee, thank you for the opportunity to testify. I am Bill Powell, President-Elect of the Kansas Association of REALTORS® and on their behalf, I appear today to oppose the portion of HB 2892 which proposes to remove the sales tax exemption for new construction.

While we are fully aware of the problems which the state faces in the school finance area, we believe that placing a sales tax on new construction will be a self-defeating effort on the part of the state of Kansas.

During the past recessionary year, which the country has been experiencing, one of the "signs of recovery" which the economists were all looking for was whether the number of new building permits was increasing. New home construction is considered to be one of the "Leading Economic Indicators", an index which economists use to predict upturns and downturns in our economy.

I have attached an article from Monday's Wichita Eagle which outlines what makes up the list of these indicators. You will note that the article explains that one of the indicators is the index of new building permits. It goes on to say that, "These figures, solely for private housing, indicate future home construction--an industry that historically leads the economy out of a recession."

SENATE ASSES. & TAX
3-25-92
ATT. 15-1

If new home construction is an industry that historically leads the economy out of a recession, why would the state of Kansas want to do anything which will hamper that industry? How can it be justified that increasing the up-front costs of a new home will somehow be good for our economy?

I have attached a second article from Sunday's Wichita Eagle, which reports that Kansas had the lowest percentage of first-time home buyers (as a percentage of all home buyers) last year of any other state, according to a nationwide survey of home sales by Century 21 Real Estate. Of the homes purchased last year in Kansas, first-time buyers bought 37.2% of them, compared to 42.8% in 1990. Nationally, first-time home buyers grew to 40.8% in 1991, up from 38.4 in 1990. Just this year, Kansas has created a division of housing within the Department of Commerce in order to promote affordable housing. At a time when everyone, including the state is worried about affordable housing, how can we justify increasing the up-front costs for a new home purchaser?

The fiscal note on this exemption is estimated now to be about $79 million. However, we believe this figure is high because it is based upon the flawed presumption that the same number of homes will be built, that the potential purchasers will not give up the dream of building their home or at the very least reduce the amount of home they build just to cover the additional costs.

I was in the home building business for 8 years and I can tell you that increasing the cost of a home by only 1 or 2% does have an impact on the homebuyer. It is enough to scare them off completely or to dramatically reduce the size of their project. For example, on a $60,000 home in Wichita, the increased cost due to sales tax would be $1,440. That would pay for another child's bedroom or the expansion of the master bedroom. These are the kinds of additional costs which push buyers out of their affordability range and out of the market.

It has been argued that this additional cost will be recouped from the reduced property taxes provided by the 29 mill levy. However, you need to know that this kind of increased up-front costs for a new home buyer is enough to scare them into delaying or abandoning their project. These homebuyers need to be able to buy the house before they can enjoy any property tax relief.

We must ask what the public policy reason is for placing a sales tax on new construction. It certainly cannot be an economic development argument, because stifling new construction can hardly be interpreted as having positive economic impacts. This sales tax exemption is just as important for economic development as the other sales tax exemptions which have not been touched by this bill, such as the exemptions for manufacturer's machinery and equipment and for farm machinery.

We know the $79 million raised by the removal of this exemption looks appealing because it is so large, at a time when you are looking for money. However, we are asking you to look beyond the short term fix which the Legislature is looking for this year and look to the long term impact a tax such as this can have on an industry which is already struggling. It is ironic that the rationale given on the floor of the House for continuing to exempt new construction for oil and gas wells from the sales tax was because the oil and gas industry was already in such trouble. In 1991, the housing industry saw the lowest number of new home starts since the 1950's. It is a common occurrence in Wichita to hear that a builder has closed shop and left town. If we are being careful to protect some industries, why not make sure we <u>don't</u> put the lids on the coffins for other industries?

Thank you again for the opportunity to testify. I will be happy to answer any questions you have.

Something rare hits Riverside: new housing

Sunday, March 22, 1992 THE WICHITA EAGLE

Riverside is one of Wichita's most coveted residential neighborhoods.

With its quaint, genteel old homes, the greenery of its parks and the meandering Little Arkansas River, it attracts many home buyers. And almost all have had to be content with finding existing homes to buy.

Land for construction of new housing has about run out.

But one new project is under way. At 12th and Pearce, where 12th fronts the river, four Victorian-style attached townhouses are under construction. One has been sold.

Called Bridgepointe II, the two-story houses are being developed by BLT Partnership, a local partnership of former chamber official Ed Roberts, contractor Randy Chaney and accountant Tom Patten. Chaney Construction is the general contractor.

Roberts said BLT bought four lots from an older resident who was vacating her home. The home was razed to make way for the project.

Bridgepointe II is similar to the adjacent Bridgepointe Park development, which includes seven townhomes on 12th just west of Carlos. That project was done several years ago by Chaney and another partner and sold out promptly.

The new Bridgepointe homes have a base price of $89,760 and come with numerous options, which can increase the cost. But Roberts notes that there are no special taxes — an advantage of building in an older neighborhood.

Each home has 1,472 square feet of living space, with two bedrooms,

FRANK GAROFALO

REAL ESTATE NOTES

2½ baths and two-car attached garage. The first level has the kitchen, dining room, a great room with fireplace, a formal living room and a half-bath. A second fireplace for the living room is an option.

The second level has the master bedroom, with a large bay window, the second bedroom and two full baths. Each home also has a 300-square-foot ground-level room that could be finished as another bedroom or a utility room, Roberts said.

Construction started in January. Two should be ready for showing during the April 26 through May 3 spring Parade of Homes, sponsored by the Wichita Area Builders Association.

BLT Partnership has been building homes in five of the newer residential subdivisions, including the west-side's Ashley Park, Bristol Park, Lost Creek and West Meadows and the northeast's Willowbend golf course community.

First-time buyers — Here's a distressing surprise.

Kansas had the lowest percentage of first-time home buyers (as a percentage of all home buyers) last year of any other state, according to a nationwide survey of home sales by Century 21 Real Estate.

The study showed that the state's percentage of first-time buyers in 1991 declined by 5.6 percent, compared with 1990.

Of the homes purchased last year in Kansas, first-time buyers bought 37.2 percent of them. That was down from 42.8 percent in 1990 and 43.7 percent in 1989.

While the percentage of Kansas' first-time buyers declined, the percentage of first-time buyers nationally grew to 40.8 percent. That compared with 38.4 percent in 1990 and 38 percent in 1989.

What's distressing about the report is that lower mortgage interest rates last year should have made homes more affordable to many more first-time buyers. In fact, by the end of the year, the long-term, fixed rate had plunged to 8.23 percent, the lowest level in 18 years.

The results of the Century 21 study are in line with what Wichita brokers and agents have been saying: The majority of buyers last year were move-up buyers. And apartment managers buttressed that observation, saying they lost some renters via the home-buying route but not that many.

Mortgage report — The splurge of refinancings and home sales that started in late December with the drop in mortgage rates showed up in the number of mortgages filed last month in Sedgwick County.

Lenders filed 1,107 mortgages with a total value of $65.38 million according to a monthly report compiled by Security Abstract & Title Co. The number of loans was up 21.6 percent from January, and the mortgage value was up 22.5 percent.

In the past several weeks, mortgage rates have risen, causing refinancings to taper off. But lenders say the upward rate movement has not affected loans on home purchases, which have remained steady.

Another good omen for the housing business is that foreclosure filings continue to decline. Last month, 41 cases were filed in Sedgwick County District Court, compared with 79 in the same month last year and 92 in February 1990.

Lenders with $2 million or more in mortgage loans in February were: Bank IV, 129 for $7.85 million; Capitol Federal Savings, 116 for $7.64 million; Railroad Savings, 66 for $5.09 million; Columbia Savings, 64 for $5 million; Mid-Continent Federal Savings, 65 for $4.14 million; Fidelity Savings, 68 for $3.42 million; Wichita Federal Savings, 43 for $2.73 million; CMC Mortgage, 35 for $2.3 million; Oak Tree Mortgage, 33 for $2.09 million; State Bank of Colwich, 18 for $2.04 million, and Kansas State Bank and Trust Co., 28 for $2.01 million.

Real Estate Notes contains news about residential and commercial real estate. Items for the column can be sent to Real Estate Notes, The Wichita Eagle, Box 820, Wichita, Kan. 67201, or faxed to (316) 268-6438.

MONEY MATTERS

So just what are leading indicators?

Though imperfect, they're best economic gauge

By Guy Boulton
The Wichita Eagle

You hear it cited authoritatively in both somber and upbeat reports: the Index of Leading Economic Indicators.

The index is considered the government's best means of predicting future turns in the economy.

How reliable is the index?

"It's not always on the nose," said Rich Nolan, an economic analyst with the U.S. Chamber of Commerce.

But he added that it is the federal government's best overall indicator.

Just what is the Index of Leading Economic Indicators? And, for that matter, what is a "leading indicator"?

Leading indicators are statistics that tend to move up or down before the overall economy does — sometimes by as little as one month, others by as much as two years.

In all, there are about 65 leading indicators. But only 11 indicators — those considered the most reliable — are included in the Index of Leading Economic Indicators.

"The index measures a lot of things, but not everything," Nolan said.

The index, published by the U.S. Bureau of Economic Analysis, is designed to forecast economic activity six to nine months in advance — specifically, increases or decreases in the gross domestic product.

The GDP is a measure of the total output of goods and services produced in the United States.

Nolan and other economists often focus more on specific components of the index than the index itself.

The index jumped 0.9 percent in January, for instance, after declining 0.2 percent in November and in December. But a large part of January's increase stemmed from higher stock prices.

"Some of those items are volatile and they can weight the index heavily, such as the performance of the stock market," said David Strohm, economist for Fourth Financial Corp.

Strohm tends to focus on three or four components of the index. "A lot of people just create their own index," he said.

The index did predict the most current recession — although only a few months in advance. The base year, equaling 100, is 1982. The index began to fall from July 1990's 146.3 to 139.6 in December of that year.

But the index was not a good predictor in 1991, when it increased from 138.8 in January to 145.6 in July.

The indicators showed a strong exit from the recession in the second quarter of 1991, said James Clark, an economics professor at Wichita State University.

That didn't happen.

"It hasn't been tracking as well as it has in the past," Clark said.

The index now stands at 146.5 — its highest level since June 1990. In the past couple of weeks, reports have shown the economy is now beginning to pick up.

Just what are these economic omens?

The Index of Leading Economic Indicators consists of:

■ The average workweek of production workers in manufacturing. This statistic tends to lead employment figures because companies often pay overtime before hiring new workers or shorten workweeks before laying off workers.

■ The average weekly initial claims for state unemployment insurance. This indicates the number of new people filing for unemployment insurance each week.

■ New orders in manufacturing for consumer goods and materials.

■ Vendor performance. This tracks whether companies are receiving slower or faster deliveries from their suppliers. The statistic is based on a survey done by the National Association of Purchasing Managers. Slower deliveries indicate the economy is expanding because suppliers are unable to fill orders quickly. Faster deliveries indicate the economy is starting to slow down.

■ Contracts and orders for plant and equipment. This indicates whether businesses are expanding. The statistic includes new factories, new equipment and other business facilities, such as a new office buildings.

■ Index of new building permits. These figures, solely for private housing, indicate future home construction — an industry that historically leads the economy out of a recession.

■ Change in unfilled orders in manufactured durable goods. This tracks such big-ticket items as motor vehicles, computers and appliances. Sales of these products generally are hit hard in an economic downturn.

■ Change in sensitive materials prices. Price changes for materials such as metals and cotton indicate whether demand is increasing or decreasing. In turn, this indicates whether economic activity is increasing or decreasing.

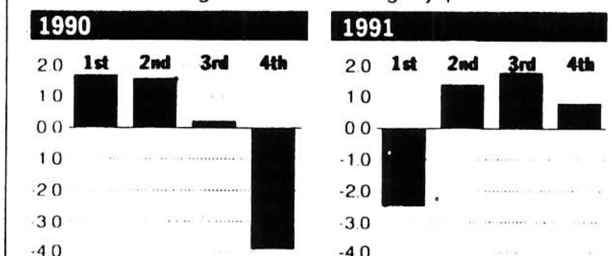
■ Index of prices for 500 common stocks. The stock market generally leads downturns or upturns in the economy. The bull market in the early 1980s, for example, began in the darkest days of the 1982 recession. The index uses the monthly average for the S&P 500, a composite of 500 stocks.

■ Money supply. This is the

See INDICATORS, Page 16D

Gross Domestic Product*

The GDP, the total output of goods and services in the United States, showed the extensive weakness in the economy that began in 1990 and continued through 1991. Percent change by quarter:

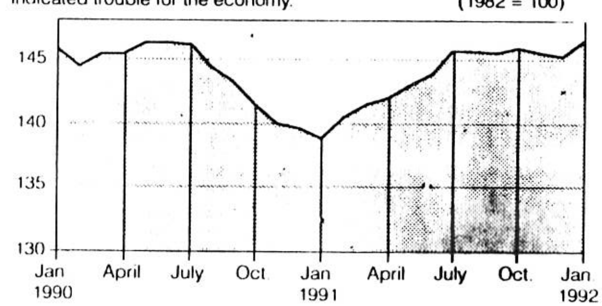


*GDP in constant dollars and seasonally adjusted
Source: U.S. Chamber of Commerce and U.S. Bureau of Economic Analysis

The Wichita Eagle

Index of Leading Economic Indicators

The index began to fall in July of 1990, and subsequent downturns indicated trouble for the economy. (1982 = 100)



*January 1992 figure is preliminary
Source: U.S. Bureau of Economic Analysis

The Wichita Eagle

INDICATORS

From Page 9D

amount of money available for spending, particularly a measurement called "M-2," which includes currency, checking deposits and money market mutual fund shares.

■ Index of consumer expectations. The index uses a survey, considered one of the more reliable, prepared monthly by the University of Michigan. The university sells the survey to clients who want the results immediately and then releases it to the public, said WSU's Clark.

The index was revised in 1989. The change in total business credit, for example, was dropped from the index. The indicators are selected by the National Bureau of Economic Research, a private, non-profit economic research organization based in Cambridge, Mass.

The leading indicators are later confirmed or refuted by "coincident indicators," which move in tandem with the economy, and "lagging indicators," which follow the economy.

The most widely followed coincident indicators include personal incomes, manufacturing and trade sales and industrial production. On the other hand, employment is a lagging indicator.

Just how is the economy doing?

"There's nothing out there that's predicting really strong growth in the future," Clark said. "Moderate growth, there's a reasonable expectation."

John McDonough 8530 Bradshaw Lenexa, Kansas 66215 (913) 888 4455

Presentation To The Kansas Legislatures' Senate Education Committee.

March 25, 1992. Re: HB. 2892 & Its Unnecessary & Massive Tax Increases

Designed To Further The Public School Lobby's Monopoly Of Our Children.

I am John McDonough of Lenexa, here to oppose HB 2892, because it would yet further increase the public school lobby's monopoly of our children. The monopoly that presides-over dangerous schools for children & their teachers, dangerous physically & educationally, even morally --- yet financially forcing compulsory attendance for the lobby's members' perceived monetary self enrichment --- which is the usual goal of all monopolies.
And opposing 2892 also, because it would unconscionably rob our society of massive funds needed for other priorities, including the needs of taxpayers.

This Santa Claus Spending & Taxing Syndrome, to further enrich the "haves," is out of control. Instead, in attachment #1, I offer 10 revenue sources which can free-up over a billion state & local dollars without tax increase "one.", by busting the lobby's strangle-hold on you legislators & on our society. So that I'll take less than 3 minutes, I provide them for your later review, rather than going into them now..

My attachments #2 & 3 provide rebuttal to the "justifications" the lobby lays on us to continue its monopoly --- steak for you, instead of their baloney.

Attachment #2:. A summary of Missouri supreme court Justice/Chief Justice Charles Blackmar's paper endorsing school choice & vouchers. Case law references and remarks of leading constitutional professors/authorities.

Attachment #3: A paper by a Heritage Foundation expert on education reform --- "Phoney Assertions.About School Choice: "Answering Critics."

Again, hope you review them later.

SENATE ASSES. & TAX
3-25-92
ATT. 16-1

I ask that you price out the savings plans I offer. I've asked you many times to do so. It's your duty --- to your conscience, & to your constituents, & to our Kansas --- even though the public school monopolists will hate you for so doing. And that if you still feel inclined to endorse raising our taxes, despite the polls showing Kansans don't want you to, that you put the plan to a vote of the people, at least. Why not?

****

In closing, I refer you to the attached clipping --- the words of the Baptist minister - from his eulogy - the funeral of a boy gunned down at a Brooklyn high school recently - "I am not saying that it should be closed down but it at least it ought to be thought about, and **then maybe some of the young people who are trapped by laws & regulations & codes that were dreamed up inconsiderate of them might be given the vouchers that they deserve to go to where theywant to go."**

Asides

3 17 92 WSJ

School-Voucher Struggle

In a recent editorial about the Wisconsin Supreme Court's ruling in favor of Milwaukee's school-choice program, we drew attention to the opposing forces in the litigation. Lower-income parents and their children were up against educational administrators and the teachers' unions. This has struck us as one of the most interesting fault lines now developing in U.S. political life. But these black parents have no fully active champion yet at the national level. Public unions are a bedrock constituency for Democratic politicians of the sort now contending for the presidency, and George Bush so far hasn't spent much time personally in the neighborhoods where school choice is becoming popular. But the subject itself keeps emerging. After two students were gunned down at a Brooklyn high school recently, the Times reprinted the funeral eulogy given by Baptist Pastor Johnny Ray Youngblood for one of the slain. He said, among other things: "About five years ago, the suggestion was in the newspapers that Jefferson be closed down. I am not saying that it should be closed down but at least it ought to be thought about, and then maybe some of the young people who are trapped by laws and regulations and codes that were dreamed up inconsiderate of them might be given the vouchers that they deserve to go where they want to go."

16-2

EX. 1

John McDonough 8530 Bradshaw, Lenexa, Ks. 66215 (913) 888 4455

Presentation To Committee On Taxation, Re: HB 2891, March 4, 1992.
House Of Representatives, Topeka, Kansas. State Capital Building.

I'm John McDonough Of Lenexa, **here to support the** concept of HB. 2891---the 45 mil statewide school levy **Equalization proposal; and to offer 10 revenue sources to end the unnecessary** **Santa Claus State Spending & Taxing Syndrome** **which brings us together today. To hold my verbal presentation to 3 minutes, I'll cover only the bold print on the passouts I've provided to you.**

1st Category: Users' Charges:

A. "School Connection Charges." **On April 7th Johnson Countians will vote on a sewer plan that includes a $1,500 sewer connection fee for those beginning use of the system.** I'll be voting for it, so that we will no longer be so heavily subsidizing new arrivals' sewers..
Similarly, instead of routinely building 10 & 20 million dollar schools to accommodate moves to undeveloped areas, why should'nt the same logic apply to those beginning use of the school system? --- Connection charges, then, as a school revenue source for your deliberations. Sure, we'd like to be Santa Claus, but...

B. "Tuition For Public Schools." We hear that under the 45 mil levy, the Shawnee Mission-Blue Valley-Olathe schools want an additional $38 million ---"excellence" will suffer unless local taxes are increased , they insist. That only more taxes can cover the $38 million is a given , they would have us assume.
No! **One of the other ways is to have the beneficiary public school family pay $600 to $700 tuition per child, per year.** That would provide the $38 million wanted. **(From those who can afford to pay --- after all, their subsidy being $5,000 per child, per year, $600 is only about 12% of the subsidy amount.) They'll pay some tuition at public colleges. Why not some at grade & high, now that budgets, deficits, and debt are so astronomical,** & no end in sight for our local/state/national financial shortfalls? Sure, we'd like to be Santa Claus, but....

Note that the 2 child public school family pays school taxes of about $2,500 yearly, like other households --- that each child's share of all school costs (grade & high) is about $5,000 yearly --- $60,000 for 12 school years each --- $120,000 for that one family --- add another $40,000 if they go on through public colleges, $160,000 subsidy for just one famly --- & there are hundreds of thousands of them, of course.

By the time, then, that the kids have both completed high --- that one family has paid about $38,000 in school taxes, but benefitted from $120,000 in subsidy. Is not some amount of tuition, then, a logical revenue source for your deliberation?

C. Tax The Subsidies Received By School Families. It's done with Social Security benefits, which until several years ago were untouchable. The Feds hate to do it, but they're driven to the wall by budget needs, as you are now, and will continue to be forever. So, another logical revenue source.

D. And Also,Tax College & Jr. College Subsidies Received. Payments to begin about 5 years after receipt. On ability to pay. And again, because we can't afford to give it away without repayment. So, another logical revenue source.

Second Category: Privatize & Downsize Public School Enrollments.

E. Introduce $1,000 School Vouchers. If 25% of pupils transfer to private schools, save $360 millions, a logical source of revenue for your considerations.

We don't need tax increases. What we need is honesty from the legislature. Don't let these massive savings opportunities be covered up, cheated on, any longer.

It's too much like Eastern Europe before the wall came down. And don't allow their secret agenda to continue any longer --- where the school lobby uses its voting muscle to monopolize our school kids, and to monopolize our state & local budgets.

F. And Also, Introduce College Vouchers. Again, so as to obtain massive budget savings by utilizing the private sector. A logical source of revenue for your considerations.

Witness the waste of closing Dodge City's private college, St. Mary's, recently scheduled. Another 500 to 1,000 students likely financially forced onto near full subsidy at state colleges, to join thousands more already forced there & onto near full subsidy in the state budget --- and surely you'll hear insistence from that branch of the school lobby for more funding, for only themselves, to monopolize the teaching/ handling of that new college "load."

G. **Private Fund Raising In The Community, If The District Needs More "Excellence" Than The 45 mils Provide.** Again, the assumption that only tax money can pay public school expenses stands in the way of local effort. No doubt, too, the legislators have been easy marks --- so why go to extra effort otherwise? **Like foundations, fund drives,etc.** Santa Claus needs their help.

H. **Allow Those Educating Their Own Children Exemption From "Paying Double".** Consider that their payment to private schools is indeed carrying their share of the public education financial burden. That to, then, make them pay another $2,500 a year (property-sales-income taxes) --- for other families' kids in public schools --- is **a further factor pushing them out of private schools & onto full subsidy by enrolling in public schools.**

Third Category: Other Policy Changes To Get Over The Santa Claus State Spending Syndrome.

I. The State Constitution Is Purposely Designed To Financially Coerce Public School Enrollments By Families. Aside from the loss of liberty resulting, the constitution must be changed because of the budget/taxation Santa Claus it has created. That state & local super spending syndrome is out of control. Constitutional amendment proposals may well be in double digits this session --- surely this change should be among them.

J. The Market System, & Constitutional Amendments.

THE CHANGES SHOULD MOVE US TO FAIR SCHOOL CHOICE, THE MARKET SYSTEM FOR EDUCATION & AWAY FROM THE PRESENT SCHOOL SOCIALISM. ALL OF THESE STEPS TO IMPROVE THE QUALITY OF OUR SCHOOLS, SAFETY FOR OUR CHILDREN, & TO OVERCOME BUDGET SHOCK.

John McDonough 8530 Bradshaw Lenexa, Kansas 66215 (913) 888 4455

EX. 2

A Summary Of The Remarks Of

Missouri Justice/Chief Justice Charles Blackmar, January 29,1992 On the Matter Of Parental Choice & School Vouchers.

Justice Blackmar was most encouraging **that properly drawn legislation would "pass constitutional muster" --- that so long as drawn to (1) include all children, and (2) to benefit each child directly rather than the institution, constitutional requirements are satisfied** --- supporting his view by referencing a number of legal decisions, and below is a listing of some of them. He stressed throughout "the dynamics of changes in court decisions which give me great encouragement, that a school choice/ voucher law would be upheld in the courts."

> The Justice also noted that "...the dialogue aimed at resolving, or at least greatly alleviating, the current problem of inadequate public education at the primary & secondary level. This matter has gained a high profile due to public reaction to current educational levels of high school graduates; the experience that business & industry has had in their efforts to employ young people recently graduated from our public high schools; & the publicized viewpoints & criticisms of teachers & other professionals."

Everson: 1947. Held that it was much too late to argue that legislation (bus rides) intended to facilitate the opportunity of children to get a secular education serves no public purpose. "That sounds like a freedom of choice-voucher system to me." Said Blackmar, and he continued ..."The child was the beneficiary - not the school. The benefit was universal - available to **all** children. That's what you are talking about here."

Wheeler: 1974. Held that parents & children in private schools were entitled to comparable services (special programs for educationally deprived children) as provided to public school children. " It's just another example of why you should not be discouraged but should be encouraged to pursue your objectives"...commented Blackmar.

Wheeler: 1966. Held that parochial students couldn't split time between schools for speech correction classes. But, following, the Missouri legislature arranged a statute which obviated the problem.

Rogers: 1976. Held that neither state nor federal constitutions bar tuition grants to college students at public or private colleges --- payments made directly to the students.
Blackmar added that federal child care programs for pre-school day care are in place & working in Missouri, & the children can be placed by the parents in either public or church connected day care centers. School lunch & breakfast programs have been in existence since 1947, & provide benefits to public & parochial school children in Missouri. These are really choice/ voucher type laws and programs.

Blackmar continued: The key to these, **from a constitutional standpoint**, is that (1) the benefit is conferred upon the child or student - -not upon the particular school: and, (2) also these were universal access benefits, which means they were available to all children attending public & private schools alike.

Mueller: 1983. Upheld income tax deductions for tuitions paid by parochial students.

Witters: 1986. The supreme court unanimously found no 1st amendment barrier to a state's provision of financial assistance to an individual studying at a Christian Bible College to become a pastor, missionary or youth director.

And then Justice Blackmar added testimony of legal scholars:

Professor Michael McConnell, Univ. Of Chicago Law School.
RE Pennsylvania's proposed "choice in education" legislation. "The First Amendment exists to guarantee religious freedom to all. An important part of religious freedom is the freedom of the parents to direct & control the education of the child in accordance with their own faith & conscience - be that secular or religious This is a freedom exercisised by the wealthy, who can afford private schooling. It should be a freedom, no less, of parents with middle or lower incomes. McConnell based his constitutional opinion on the Mueller & Witters cases. (above)

Professor Lawrence Tribe. Harvard.
Any objection to a "voucher program could no longer rest on any legal doctrine but if anything, would have to rest upon policy determinations", which are really matters for a general assembly.

Professor John E. Coons. UCLA-Berkley.
"The state is not taking any position one way or another on where you ought to spend it, which is different than the state giving money to any religious institution through a contract. It is merely giving the parents who are not rich the same authority over family affairs that the rich have always had."

EX. 3

PHONEY ASSERTIONS ABOUT SCHOOL CHOICE: ANSWERING CRITICS

By Jeanne Allen****

There are several phoney assertions made by opponents of school choice. Here are some of them -- with short answers.

Assertion #1 -- The Undermining-America Argument: Choice will destroy the tradition of common schools in America, subsidizing private schools at the expense of the public schools. These schools, which embody the classless and democratic principles of the United States are enshrined in the public school system.

Says Wisconsin Superintendent of Public Instruction Herbert Grover: "[T]he private school choice program is not a solution but a program that is in conflict with the intent of the common schools established for the common good of our society.[1]

Response:

The term "public education" was first used in 1837 by Horace Mann, then chairman of the New York State Board of Education, to describe the goal of an educated citizenry, seen in part as an effective way to knit together the millions of immigrants from many lands who were coming to America. Charles Glenn, Educational expert, author, and former director of equal opportunity for the state of Massachusetts writes that, "At the heart of this vision was the idea of the common school, a school in which the children of all classes and representing all levels of society would be educated together and would thus acquire the mutual respect essential to the functioning of a democracy."[2]

Indeed, opponents of choice often talk of the notion of the common school and frequently invoke the name of Horace Mann.

As University of Chicago sociologist James Coleman has discovered in his research, however, public schools rarely conform to the common school tradition.[3] They tend, rather, to be the most exclusive and segregated schools. Ironically, private religious schools are more consistent with the common school philosophy than are public schools. Private, inner city Catholic schools in such cities as Chicago and New York bring together children of widely differing social and economic strata.

Choice, in fact, affords Americans the best chance of re-creating the truly common school by returning all children to a level playing field and ensuring that schools are representative of diverse communities. Parents of all colors, socio-economic levels, and classes should be able to choose among the widest range of schools possible, rather than being segregated out of a particular school because its cost may be prohibitive. Similarly, taxpayers required to subsidize their local school districts should have some say over what occurs in the schools. While opponents boast of "public accountability" in the schools, in reality the schools are no longer accountable for their employees, their product, or their daily operations. Choice makes schools accountable directly to consumers.

Assertion #2 -- The Creaming Argument: Choice will "leave behind" the poor and

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most difficult to ed̲ucate, while good students will be "creamed" into the best schools.

Says California Superintendent of Public Instruction Bill Honig: "The voucher approach risks creating elite academies for the few and second rate schools for the many.[4]

Response:

The "creaming argument" supposes that poorer and less able children will tend to be left behind in the worst schools when parents have a choice of schools. Adherents of this view presume that most minority or lower-income parents do not know the difference between good and bad schools and that their children thus will end up in bad schools. Hence, the argument goes, choice plans are unfair because they separate the "haves" from the "have-nots."

While the "creaming" theorists are concerned about inequality under a choice plan, they seem to ignore that today's education system is extremely unequal. The "haves" already have choice because they have the money to choose a private school for their children.[5] The "have-nots," meanwhile, are trapped in major urban school systems in which the quality of education is appalling despite heavy spending by the school districts.

Successful Magnet Schools. Choice is a tool to reduce this inequality. The evidence shows that choice improves all schools, not just a few, and that poor parents are quite able to find the best schools. This is very clear in the case of "magnet schools," which are specialized schools offering unique programs. They are designed to attract children of all races. They constitute a limited form of parental choice, in that parents opt to send their children there in place of the school to which they were assigned. They post signif ıtly better results than oth public schools. Large magnet scho systems have been functioning for more than a decade in over 100 cities nationwide.

Adherents of the creaming argument contend that magnet schools nationwide can boast success simply because they attract smart children of smart and very involved parents.[6] Yet the evidence on many long-established magnet schools suggests this is not the reason. These schools credit their success to the child's excitement at being in the school and the school's ability to tailor its lessons to the needs of individual students.[7] Magnets do not, in fact, selectively enroll children. Indeed, since demand is high, they operate generally by lottery, to ensure that all parents have an equal opportunity at a limited number of spaces. Moreover, refuting the assertions of choice critics, parents of these children are not necessarily the most involved and better educated parents.

Evidence suggests, meanwhile, that poor and disadvantaged parents are just as capable as better-educated or higher-income parents of distinguishing between good and bad schools. The problem today is that poor parents are rarely given the opportunity to do so. When they have the opportunity and are given full information about the choices open to them, they choose well.

Proponents of the creaming view assume that there is a static pool of schools and that choice plans will allow good schools to drain away the better students; the bad schools will continue to educate the worst students and deteriorate. This criticism overlooks one of the most fundamental dynamics of choice: the ability of parents to choose schools forces existing public schools to change. Another dynamic is that good schools expand and new schools emerge. If bad schools cannot or will not improve, their students can go elsewhere. The assertions about "bad children being left behind" simply do not take into account the dynamics of a school choice plan.

Assertion # 3 - The Incompetent Parent Argument: Since some parents are truly incapable of making choices, such as those who abuse drugs, some parents are also incapable of wisely exercising their choice option, thus consigning their children to sub-standard education.

Says Urban Institute scholar Isabel Sawhill: "The emphasis on choice . . . conflicts with the rising body of evidence that poor families are often beset with a multitude of problems, making it difficult for them to cope with the added responsibility -- such as evaluating different schools or owning a home."[8]

Response:

The evidence actually suggests that the opportunity to make a real decision about the education of their children -- possibly for the first time in years -- can shake an individual out of a life of despair and dependency. This notion undergirds the philosophy of empowerment, and its dramatic effects can be seen in the success of tenant management of public housing and similar empowerment strategies.[9] According to New York University political scientist Lawrence Mead, allowing or requiring the poor to make decisions renders them just as capable of good decisions or work habits as someone who is better off. Writes Mead, "The poor are as eager to work [and participate in decisions] as the better-off, but the strength of this desire appears to be unrelated to their work behavior. . . most clients in workfare programs actually respond positively to the experience of being required to work, not negatively as they would if they truly rejected work."[10]

The ability to choose leads to one of two outcomes. In very many instances it leads to parents gaining the self confidence to exercise control over their lives. But even if this does not happen, children are still assigned a school under choice plans. The assigned school is not likely to be worse than the one now attended by the child. Indeed, it is likely to be better because of the improvements forced by increased pressure from other parents.

Deeply troubled or dysfunctional children, meanwhile, are likely to do better under a choice system because it will make available a wider range of schools, especially if private schools are included in the choice program. As Abigail Thernstrom says ". . . Already many private schools meet the needs of dysfunctional children."[11]

To be sure, ready availability of information is more important to poorer and less able students than to sophisticated parents. For this reason, choice plans such as those crafted by Brookings Institution senior fellow John Chubb and Stanford University professor Terry Moe would require parent information centers and parent liaisons to help parents who need assistance in making choices.[12] But even if such sources of information were not available, the worst that could happen is that children for whom no choice is made would be assigned to a school -- which is no different from what occurs today.

Assertion #4 - The Non-Academic Parental Neglect Argument: Parents will use such criteria as a school's location or its athletic facilities, rather than quality of the education it provides, in deciding what school their child will attend.

Asks American Federation of Teachers President Albert Shanker, "Do most [parents] -- rich, poor or in the middle -- really want rigorous standards for their children? And if they don't would they choose rigorous schools?"

Response:

Choice critics like Shanker argue that most parents would not bother to choose a school or if they did, they would do so on the basis of non-academic concerns. They point to public school choice plans in Minnesota, where only a small percentage of students actually switched schools when state-wide open enrollment was instituted last year. The most common reasons given by parents for switching schools included transportation, proximity to work and child care, and athletics.

Minnesota is not a valid example. For one thing, its choice program is limited. In most grades the choice of school is restricted entirely to the public sector. For another thing, there are few academic differences among public schools in Minnesota's mainly suburban, sprawling communities. Significant differences may emerge, of course, as schools begin to make major improvements to meet competition.

The law creating the open-enrollment plan, moreover, did not include mechanisms to make change easy in Minnesota schools. Thus superintendents function as they did before and principals and teachers have not seen their autonomy increased. As such, schools cannot respond easily to parental choices. Minnesota and other states with open-enrollment policies also have not taken sufficient steps to make information available to parents. In Iowa, for example, no money has been allotted from the annual state school budget for outreach information. The result: parents find it hard to obtain academic information on which to base decisions.

Parent frustration in Minnesota already is prompting changes in the law. Minnesota legislature this June enacted the Charter Schools Act, making it possible for teachers to form their own school, and be free from most state oversight.[13]

Shanker's argument unwittingly underscores the need for choice. The fact is that parents routinely are kept in the dark about how well public schools perform because hard performance information generally is unavailable. The need for such information has led an increasing number of choice advocates to support calls for state and national testing to give schools performance standards and to give parents a gauge by which to measure their children's achievement.

Once an accurate and dependable system of accountability is in place, parents will become smart consumers and can demand improvements -- even if they choose not to change schools. Of course, even with clear performance testing and with precise information on which to make choices, some parents may decide that a neighborhood school or a school with an emphasis on team sports is better for their child than one which excels in mathematics. But that should be their choice to make as parents. It is a choice made routinely by affluent parents. Choice plans allow poor parents the chance to make that same decision.

Assertion #5 - The Selectivity Argument: Private schools in the choice plan will admit only easy-to-teach children, leaving difficult, less academically gifted children in the public schools. Such selectivity is the reason for the private schools' vaunted ability to outperform public schools.

Says Senator Edward M. Kennedy, choice has the potential to be "a death sentence for public schools struggling to serve disadvantaged students, draining all good students out of poor schools."

16-11

Response:

While some private schools set high admission requirements, the fact is that parochial schools -- the private schools serving most children in cities with or considering choice plans -- actually are less selective than public schools.

According to sociologist James Coleman, Catholic schools in particular boast success in raising the academic achievement of population groups that do poorly in public schools, including blacks, Hispanics and children from poor socio-economic backgrounds. "The proximate reason for the Catholic schools success with less-advantaged students from deficient families appears to be the greater academic demands that Catholic schools place on these students."[14] Research by Brookings scholars Chubb and Moe further shows that private schools in general excel because of their organization, not because they weed out less able students through set admissions criteria.[15]

To avoid the possibility of private schools rejecting students who are particularly costly to teach or accommodate, such as handicapped children or those with pronounced learning disabilities, Chubb and Moe recommend that choice plans offer more valuable scholarship certificates for such children to encourage schools to create programs suited to their needs. Many school systems in fact already contract with private centers to provide extra assistance to public school children with special needs.

Assertion #6 - The Radical Schools Scare: A choice system will lead to "fly by night" schools, which take public funds without providing adequate education. Worse still, schools espousing radical or extremist dogmas would emerge, perhaps even those run by the Ku Klux Klan or by black extremists.

According to critic Isabel Sawh "Diploma factories might be established in the inner cities to take advantage of the government funding, it is argued, similar to the recently exposed examples of vocational schools that exploit low income students to profit from federally sponsored student loans."[16] Adds California Superintendent Bill Honig, choice "opens the door to cult schools. Public schools are the major institutions transmitting our democratic values. By prohibiting common standards, [choice proponents] enshrine the rights of parents over the needs of children and society and *encourage tribalism* [emphasis added]. Should we pay for schools that teach astrology or creationism instead of science? Should we inculcate racism?"[17]

Response:

Most states have imposed minimum academic standards on private as well as public schools. Most education choice proposals, moreover, require the government to play some role in enforcing federal anti-discrimination laws and ensuring contractual obligations to students. If governments fail to do this effectively, as the federal government is accused of doing for trade schools, this is a deficiency of government, not of consumer choice. As it is, a good number of public schools today would be found delinquent in complying with a government regulation requiring good value for money.

While many for-profit trade schools abuses have been documented, the vast majority of schools of higher education currently operate in a choice system and state or federal assistance follows needier children to the school that they choose. Unlike its public education system, American higher education is considered world class.

As to the claim that bizarre or extremist schools will proliferate under a choice system, nothing prevents such schools from opening and attracting customers today in the private sector. The fact is that few exist. Fewer, if any, would be established under choice programs. One reason is that schools are banned from discrimination on the basis of race under the 14th Amendment. Another reason is that a school accepting government funds under a choice program would be subject to some additional constraints. In short, Honig's vision of "cult schools" is mere fantasy.

Assertion #7 - The Church-State Problem: Choice plans that include private, religious schools are unconstitutional because they violate the First Amendment's establishment clause.

Robert L. Maddox, Executive Director of Americans United for Separation of Church and State, claims that public funds cannot be used at religious schools without "violating the constitutional separation of church and state." He adds that "A long line of Supreme Court cases has repeatedly found that the First Amendment bars the expenditure of tax money to support religion or religious schools."[18]

Response:

This claim, though widely believed, simply is wrong, as the *Congressional Quarterly* notes in an April article on school choice "The federal government already provides Pell grants to students at private, religiously affiliated colleges, notes Michael W. McConnell, a law professor at the University of Chicago. The GI bill even covers tuition at seminaries."[19] The article also points out that Harvard Law School's Lawrence Tribe, one of America's most liberal constitutional scholars, says that the current Supreme Court would not find a "reasonably well-designed" choice plan a violation of church and state. He agrees there may be policy concerns about choice, but that the constitutional co[illegible]s have been addressed in a litany of cases.

The Supreme Court generally has applied three tests in "establishment clause" cases, to determine whether legislation to support private schools is constitutional. First, the program must serve a secular purpose. Second, its "primary effect" must neither advance nor inhibit religion. And third, it must not foster an "excessive entanglement" between government and religion.[20]

In practice, as long as a school choice program puts the decision of where the funds are spent in the hands of individual students or parents, and as long as the program does not discriminate in favor of religious schools, the program is likely to survive any constitutional challenge.

Assertion #8 - The Public Accountability Argument: Private and parochial schools in a choice system would not be regulated by state and federal laws, and therefore would not be accountable to public authority.

Asks Boston University Professor of Education Abigail Thernstrom: "Would taxpayers have an adequate say in how their money is spent?" Claims a *New York Times* editorial, choice among both public and private schools would "undermine the accountability and morale of public schools."[21]

Response:

The irony of the accountability argument is that in most cities it is the public schools, not the private schools, that are not accountable to parents or even taxpayers. The private schools, by contrast, are directly accountable to their customers. The editors of *The New York Times,* for instance, need only consider the abuses of public funds in New York City schools, which their newspaper has documented, to appreciate that limiting the use of public funds to public schools is no guarantee of accountability.

Residents of Chicago also know that government control of a school does not guarantee fairness or equity. This is why in 1989 they backed a radical overhaul of the city's schools, giving control to parents to run schools. Most private institutions constantly feel forced by competitive pressure to provide a regular accounting of expenditures and receipts, and to detail the achievements of their students.

Assertion #9 - The "Choice is Expensive" Argument: There are large hidden costs associated with school choice programs. Transportation costs, for instance, would be so prohibitive as to offset benefits.

Senator Nancy Landon Kassebaum fears that "transportation costs alone could grow and grow, making choice programs infeasible."[22]

Response:

Choice does not imply higher costs, not even higher transportation costs for large districts. "A system of educational choice need not cost more than current educational systems, and might cost less," says Brookings' John Chubb. "If the supply of schools is allowed to respond to demand, the supply is likely to expand, with relatively small numbers of large comprehensive schools being replaced by larger numbers of small, more specialized schools. This expansion could easily occur without the construction or acquisition of new facilities if several schools shared a building."[23]

Chubb's view is firmly grounded in experience. The choice program in East Harlem District 4 in New York City was created among 20 pre-existing school buildings. Today students can choose from 52 alternative schools, many of which share a building with other schools. Thus wider choice does not necessarily means increased overhead or transportation costs. This schools-within-a-school concept would be very appropriate for rural areas where transportation costs could indeed mount if students needed to travel farther to their chosen school.

Choice plans actually may reduce transportation costs in many instances because demand might lead to new schools. And overhead administrative costs very likely would fall since, as Chubb explains, "There is every reason to believe that the administrative structure of a choice system would be less bureaucratized than today's public school systems, and look more like private educational systems, where competition compels decentralization and administrative savings."

[1]From: Heritage Foundation Backgrounder, #852.

[2]Herbert Grover, "The Milwaukee Choice Plan," *Wisconsin Choice News,* August 1990, p. 4.

[3]Charles L. Glenn, *The Myth of the Common School* (Amherst, MA: University of Massachusetts Press, 1988).

[4]James Coleman, *Public and Private Schools* (New York, New York: Basic Books, 1987).

[5]Bill Honig, "School Vouchers: Dangerous Claptrap," *The New York Times,* June 29, 1990.

[6]Or move to an affluent neighborhood with better schools.

[7]Suzanne Davenport, "School Choice," *Designs for Change,* 1989.

[8]U.S. Department of Education, "Choosing Better Schools: A Report on

the Five Regional M..etings in Choice in Education," December 1990.

[9]Isabel V. Sawhill, Raymond J. Struyk, and Steven M. Sachs, "The New Paradigm: Choice and Empowerment as Social Policy Tools," *Policy Bites,* The Urban Institute, February 1991, p. 5.

[10]John Scanlon, "People Power in the Projects: How Tenant Management Can Save Public Housing," Heritage Foundation *Backgrounder* No. 758, March 8, 1990.

[11]Lawrence Mead, "Jobs for the Welfare Poor," *Policy Review,* Winter 1988, p. 65.

[12]Abigail Thernstrom, "Hobson's Choice," *The New Republic,* July 15, 1991, p. 13.

[13]John E. Chubb and Terry M. Moe, *Politics, Markets, and America's Schools* (Washington, D.C.: The Brookings Institution, 1990), p. 221.

[14]Ted Kolderie, "Minnesota's New Program of 'Charter Schools'" (Center for Policy Studies: St. Paul, MN), June 1991.

[15]James Coleman, *Public and Private Schools,* Basic Books, New York, 1987, p. 148.

[16]Chubb and Moe, *op. cit.,* p. 129.

[17]Isabel V. Sawhill, Raymond J. Struyk, and Steven M. Sachs, "The New Paradigm: Choice and Empowerment as Social Policy Tools," *Policy Bites,* The Urban Institute, February 1991, p. 5.

[18]Honig, *op. cit.*

[19]Robert L. Maddox, Letter to the Editor, *The New York Times,* May 10, 1991.

[20]The *Congressional Quarterly,* April 27, 1991.

[21]Bolick, .art II, *op. cit.* The s. provides details of key court cases on choice.

[22]"Skimming the Cream Off Schools," *The New York Times,* July 26, 1991.

[23]John Chubb, "Educational Choice, Answers to the Most Frequently Asked Questions About Mediocrity in American Education and What Can be Done About It." The Yankee Institute for Public Policy Studies, July 1989, p. 22.

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Opposition to Choice by Beneficiaries of Government School Monopoly

Citizens for Educational Freedom Chairman Paul Mechlenborg of Cincinnati said, "Opposition to the inclusion of parental choice of schools in the Excellence in Education Act is instigated by government (public) school administrators, teachers' unions and state and local agencies which seek to maintain the monopoly they now have over the American educational system."

School Voucher News

Watchdoggin': As Kansas' Public & Private Leaders Financially Coerce Kids Into The Dangerous Public Schools, Running Up Property Taxes Unnecessarily.

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State Capitol, Topeka, Kansas. Feb. 18, 1992.

Elected officials to kill School Voucher tax saving plan. To raise taxes instead

Here's the meat. See inside for background of this story.

McDonough stressed, throughout, that **without School Vouchers,** we are financially trapped into submission by the current public school monopoly (85 %+) of the education market; trapped into lack of competition for education quality; trapped into sending our kids off to their dangerous places; trapped into way too much school spending with its monster high property taxes, ditto sales & income taxes --- hurting our house values & chasing away our jobs & businesses; trapped into forcing private school families to pay double; **trapped into diverting vast sums to schools-that-aren't-needed,** instead of to the hungry/homeless/health care/illiteracy/drug problems/infrastructure/environment/gov't & private debt & deficits/ & other public priorities.

If legislators are elected to represent the people, who now in majorities want School Vouchers, should not those legislators endorse HR. 2853 --- unless they, instead, are really here to represent the special interests? We shall see!

School Voucher News PO Box 19081
Published By John McDonough
Lenexa, Kansas (Zip) 66285

16-16

SENATE ASSESSMENT AND TAXATION COMMITTEE
MARCH 25, 1992
HOUSE BILL ~~2982~~ 2892

Gentlemen, these comments are prepared in opposition to the bill presently being discussed before your Committee. First of all, please understand that we in Western Kansas wish all of Kansas' children to be well educated. Many of us, however, view the present plan to be unacceptable, first due to the inequities we feel it imposes, and; secondly, due to a want of definition of the real needs of our educational system.

Judge Bullock's opinion, which stimulated this legislation, does not sufficiently define crucial issues, among those being "quality education" and "equal opportunity for education". Furthermore, in his own words, equal opportunity is not synonymous with equal dollars. Among those things that we feel must be addressed in terms of equality is the nature and extent of the curriculum which constitutes a quality education. By mere comparison of units of education offered throughout the state, I believe you will find that the basic education funded in many districts would be deemed indulgent rather than appropriate yet, as I understand it, no consideration has been given this issue in addressing school finance. It appears that the current finance plan may well eliminate schools such as those in Moscow, Kansas, which offer a solid and basic curriculum, while indulging the fancy of superintendents in other districts.

For this reason alone, I would suggest that this bill is not worthy of passage. That, however, although equally important, is not the only reason for rejecting this legislation.

Quite simply, this bill unfairly burdens the rural counties due to its failure to appropriately assess and tax those counties who have utilized industrial revenue and economic development bonds and its failure to give mineral producing counties credit for their contribution through the severance tax.

Rural Kansas has two major sources of wealth - its land and its minerals. Our land serves as a tax source for the educational needs of our children. Of the mineral tax levy, only 7% remains in the county of production. Essentially, all of our wealth as the State would define it is taxed in one form or another to benefit all of Kansas. Furthermore, the severance tax works to discourage further development of what has been characterized as our "mineral wealth".

Urban Kansas also uses its property as a tax base. However, as I think you will see in the course of this discussion, the use of Industrial Revenue and Economic Development bonds, which I will refer to generically as IRB's, causes a conversion of wealth which create inequities in the school finance plan passed by the House. First of all, wealth for property tax purposes is determined by analysis of property on the tax roles. This measure of wealth is, quite simply, inappropriate when one examines the amount of property exempted from taxation via IRB's. According to the State Board of Tax Appeals, there is presently an IRB inventory across the State of Kansas of $2,757,492,664.00. This is nearly one-fifth of the total assessed valuation of the entire State of Kansas.

SENATE ASSES. & TAX
3-25-92
ATT. 17-1

You have been provided with an exhibit setting out each of the counties, ranked from highest to lowest valuation. Also provided within that exhibit is the inventory of IRB's for each county. Exhibit 2 is a graphic representation of the 11th largest IRB inventories by county. As you can see, more than 90% of the property removed from the tax roles is within these counties. The balance of the bond inventory in Kansas is similarly depicted on Exhibit "3".

Generally speaking, urban and/or industrialized counties have used the IRB as an incentive to bring business into their area. Although we have no objection to their use, we feel that certain realities must be addressed in terms of school finance.

1. IRB's effectively create a deficit in terms of dollars available per student. A company granted 2 billion dollars in IRB's, which creates 5,000 new jobs, also brings a burden of additional children to educate. Unfortunately, by virtue of the IRB, the source of funds for their education has been exempted from the burden created.

2. IRB's inure to the direct benefit of urban counties by way of increased retail sales and income, not to mention an increased population base from which to form a "recruitment core" for more industry.

3. The present failure of the finance plan to require each county to replace, in one fashion or another, the revenues lost through issuance of IRB inequitably shifts that burden to rural counties.

Rural Kansans are just as concerned for their children as are those in the city for theirs. Granted, we are all Kansans, but we cannot be expected to subordinate our children's education to those of the city. Under the proposed school finance plan, it seems that we are asked to ignore the "hidden assets" of urban counties and fill the void created by lost revenue from our coffers.

Exhibit 4 illustrates this inequity. You will note, for instance, that as of today, Sedgwick County has nearly 1/3 of its property wealth (more than 4 times the total valuation of Stevens County) off the tax roles. This does not include the 2 billion dollar request of Boeing. The revenue lost via IRB's in Sedgwick County alone, at 50 mills, (less than any mill levy within the county) amounts to 50 million dollars annually.

To ignore the burden created by the IRB; to allow those who seek its benefit without bearing its obvious burden; and to shift that burden from the beneficiary of the IRB to those who benefit minimally or not at all, is confiscatory. I ask you, gentlemen, is this proposal significantly different in spirit than the treatment of the Georgian's at the hand of the Soviet Union?

Perhaps there is a need to rework the manner in which we finance the education of our children. This bill does not, however, present a real solution to all of the problems which must be addressed. To the contrary, it would appear to do little more than raise taxes. The issues addressed in the opinion which gave rise to the subject legislation will not be resolved by increasing taxes and throwing money at them. I submit to you, gentlemen, that far more deliberation is necessary before an appropriate solution is found. This bill is certainly not the solution, and is grossly inequitable. I urge you to put it to rest and devote your energies to a solution that serves all Kansans.

County Valuation and IRB Inventory

	COUNTY	ASSESSED VALUATION	IRB & EDX
1	JOHNSON	$2,724,743,221	$110,462,099
2	SEDGWICK	$1,962,204,228	$984,544,672
3	SHAWNEE	$814,050,185	$43,730,354
4	WYANDOTTE	$588,886,058	$862,295,428
5	COFFEY	$544,655,189	$0
6	DOUGLAS	$363,039,968	$87,827,055
7	STEVENS	$296,281,046	$0
8	RENO	$292,494,591	$18,427,565
9	FINNEY	$282,126,333	$1,200,000
10	POTTAWATOMIE	$265,895,381	$10,409,480
11	GRANT	$256,378,677	$5,134,000
12	SALINE	$223,370,139	$67,732,000
13	BUTLER	$219,361,615	$90,591,658
14	LEAVENWORTH	$200,109,991	$10,029,200
15	KEARNY	$185,166,017	$0
16	SEWARD	$164,837,172	$15,000,000
17	RILEY	$162,287,596	$0
18	MCPHERSON	$156,099,563	$21,824,485
19	FORD	$152,185,056	$0
20	BARTON	$150,854,907	$6,015,185
21	ELLIS	$149,579,187	$575,672
22	MONTGOMERY	$144,880,393	$24,258,636
23	COWLEY	$143,067,820	$16,547,179
24	LINN	$130,051,403	$0
25	LYON	$125,822,541	$64,348,323
26	HARVEY	$123,572,330	$71,662,120
27	MORTON	$117,398,779	$0
28	HASKELL	$116,395,076	$0
29	SUMNER	$109,984,949	$4,308,335
30	CRAWFORD	$103,414,216	$93,501,578
31	MIAMI	$96,259,171	$737,599
32	GEARY	$86,118,017	$349,926
33	DICKINSON	$80,869,206	$1,461,000
34	CHEROKEE	$75,521,889	$3,126,020
35	KINGMAN	$73,133,670	$6,676,769
36	RICE	$71,709,302	$4,574,216
37	WALLACE	$71,371,755	$0
38	LABETTE	$70,873,102	$4,098,552
39	PRATT	$70,756,590	$465,950
40	STANTON	$67,314,426	$0

EXHIBIT 1

41	RUSSELL	$65,452,195	$0
42	MEADE	$65,142,059	$0
43	JEFFERSON	$61,262,156	$2,800,000
44	STAFFORD	$60,885,262	$0
45	THOMAS	$60,855,522	$3,250,000
46	ATCHISON	$58,704,444	$0
47	MARION	$57,945,116	$3,133,976
48	BARBER	$56,771,256	$0
49	OSAGE	$56,568,119	$4,800,000
50	NEOSHO	$54,990,617	$382,017
51	ALLEN	$53,747,285	$700,000
52	ROOKS	$53,379,963	$0
53	HARPER	$53,308,819	$1,616,500
54	MARSHALL	$53,254,422	$0
55	NESS	$52,074,965	$0
56	FRANKLIN	$51,545,675	$9,410,622
57	BOURBON	$51,266,910	$7,245,000
58	NEMAHA	$50,520,932	$350,000
59	KIOWA	$50,434,580	$0
60	BROWN	$50,001,534	$1,691,614
61	PAWNEE	$49,416,530	$0
62	SHERMAN	$46,776,656	$899,999
63	GRAY	$45,697,351	$0
64	CLOUD	$44,130,884	$64,202,400
65	GREENWOOD	$43,920,878	$425,000
66	HAMILTON	$42,334,847	$0
67	SCOTT	$42,047,505	$0
68	ELLSWORTH	$41,212,758	$494,079
69	WASHINGTON	$41,199,836	$177,792
70	PHILLIPS	$41,055,639	$0
71	WILSON	$40,735,210	$5,400,000
72	CLAY	$40,294,223	$0
73	JACKSON	$39,111,556	$0
74	GRAHAM	$38,731,120	$0
75	ANDERSON	$37,301,551	$0
76	EDWARDS	$36,102,554	$0
77	REPUBLIC	$35,255,592	$155,999
78	MITCHELL	$34,513,234	$517,500
79	GOVE	$34,490,501	$300,000
80	DONIPHAN	$33,626,207	$15,819,100
81	MORRIS	$33,162,774	$0
82	WABAUNSEE	$32,718,469	$0

83	RUSH	$32,428,920	$0
84	OTTAWA	$32,424,747	$765,000
85	TREGO	$31,778,936	$0
86	CLARK	$30,741,237	$0
87	RAWLINS	$29,737,219	$0
88	SMITH	$29,238,717	$0
89	SHERIDAN	$28,326,995	$0
90	CHEYENNE	$28,299,640	$0
91	DECATUR	$27,797,850	$0
92	NORTON	$27,692,965	$0
93	GREELEY	$27,564,628	$0
94	COMANCHE	$27,200,566	$0
95	OSBORNE	$26,977,283	$0
96	LANE	$26,874,291	$0
97	JEWELL	$26,511,090	$85,000
98	HODGEMAN	$26,354,729	$0
99	WICHITA	$26,142,607	$0
100	LOGAN	$25,648,089	$86,000
101	WOODSON	$23,372,431	$20,010
102	LINCOLN	$22,837,469	$850,000
103	CHASE	$21,975,363	$0
104	CHAUTAUQUA	$21,386,525	$0
105	ELK	$17,915,045	$0
		$14,644,295,803	$2,757,492,664

IRBs Greater Than $40,000,000

17-6

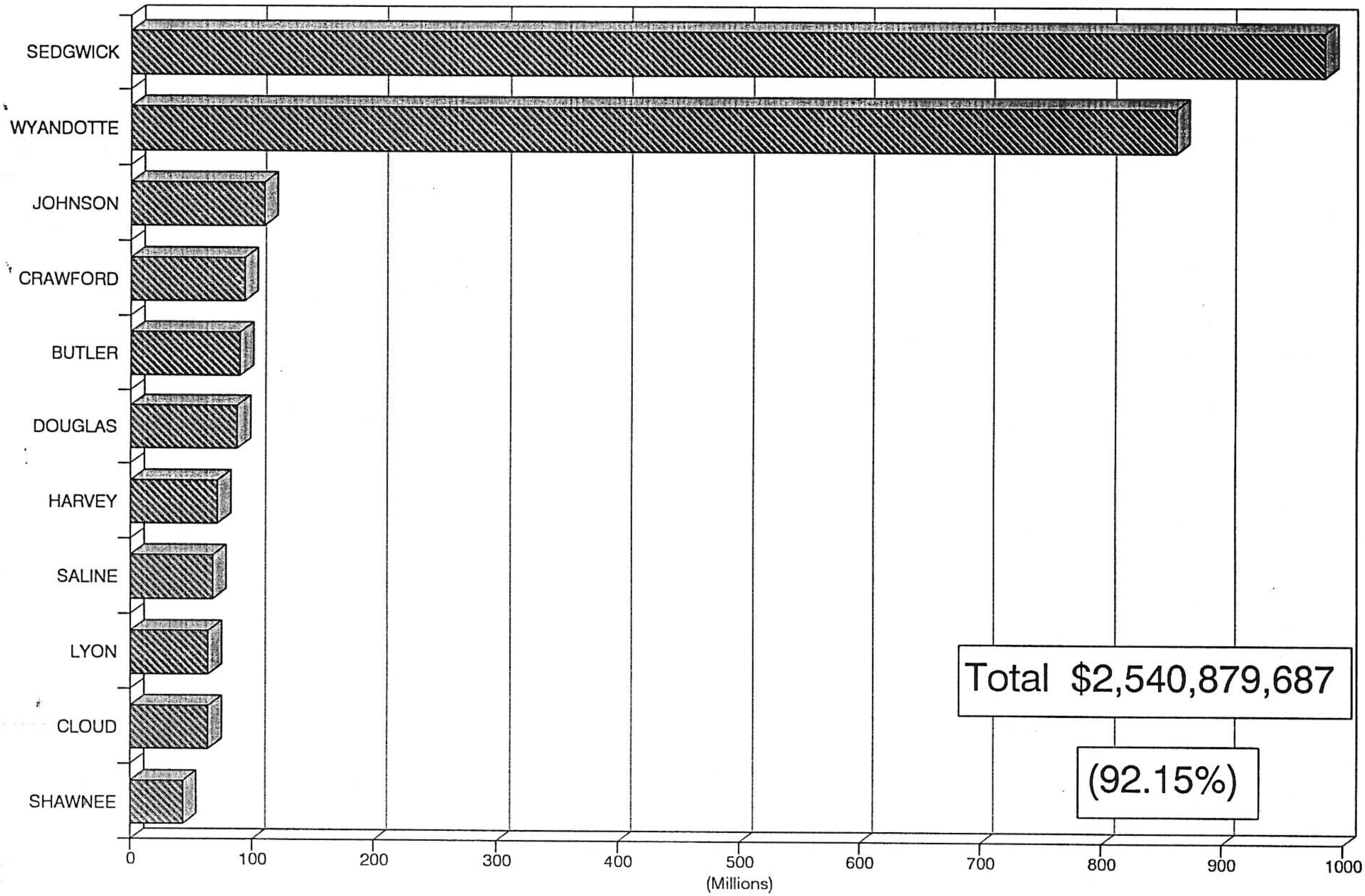

EXHIBIT 2

IRBs Less Than $40,000,000

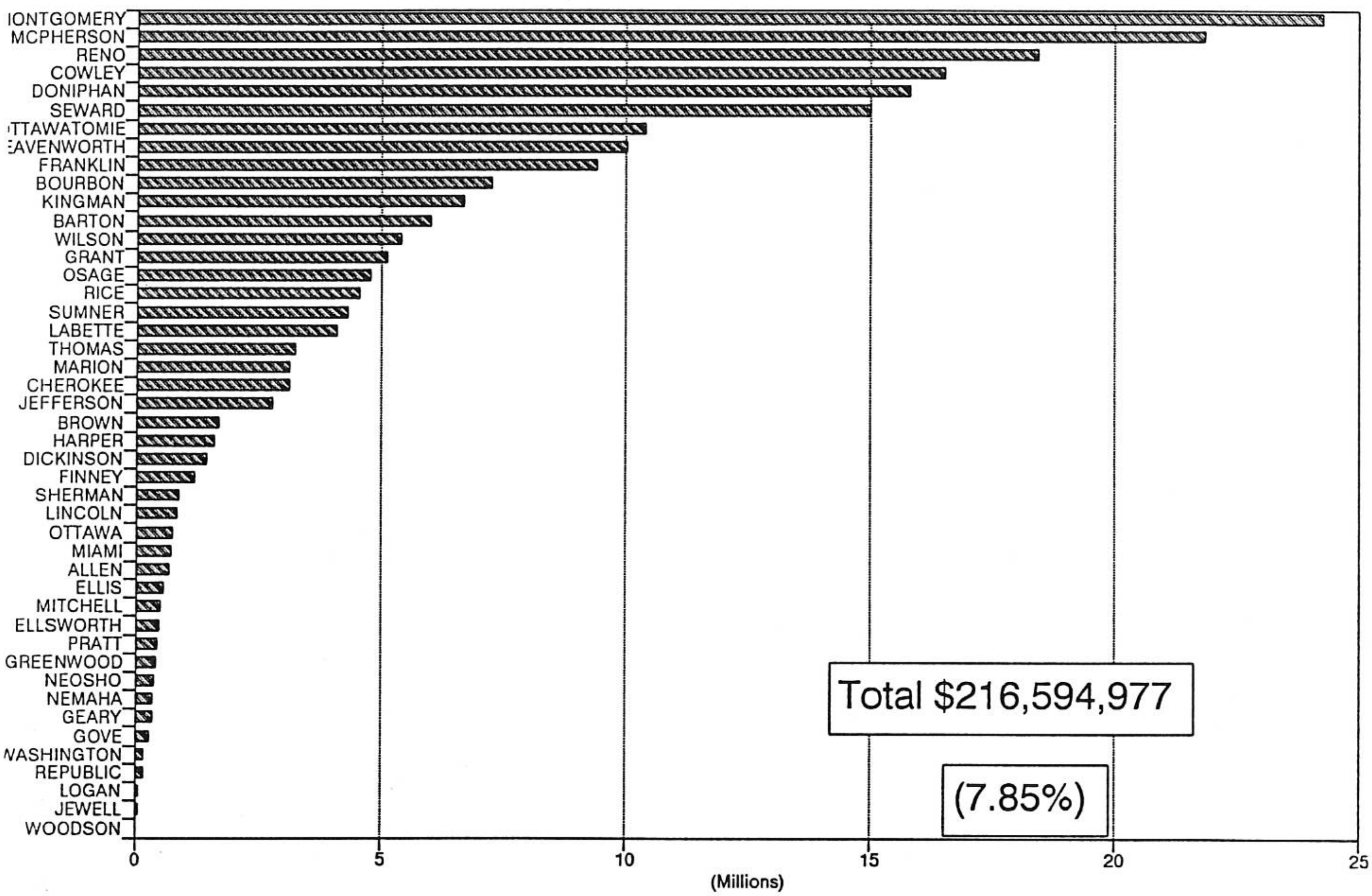

EXHIBIT 3

Comparison of IRBs to Assessed Valuation

17-8

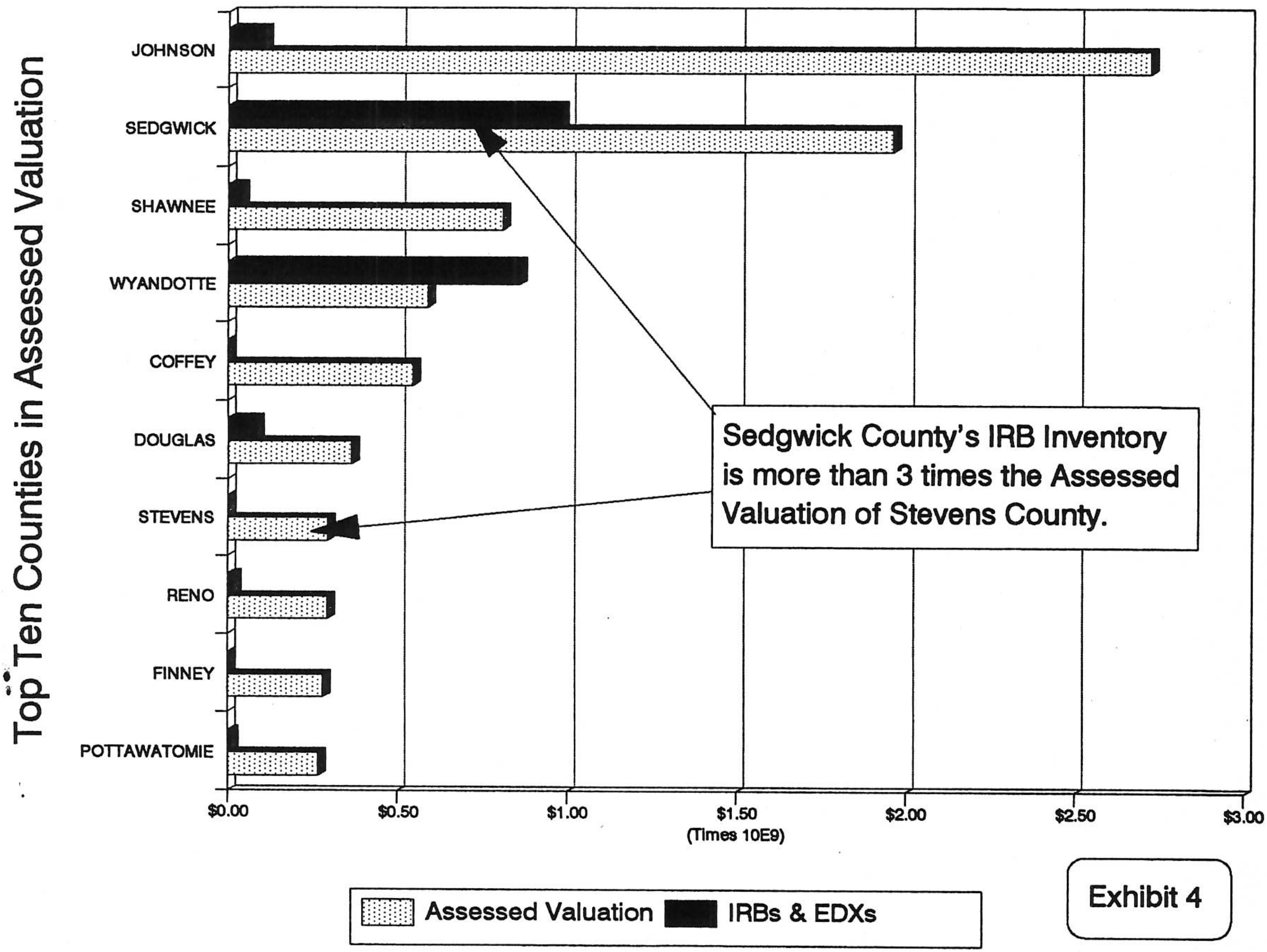

Exhibit 4

KANSAS INDEPENDENT OIL & GAS ASSOCIATION
105 SOUTH BROADWAY • SUITE 500 • WICHITA, KANSAS 67202
(316) 263-7297 • FAX (316) 263-3021
1400 MERCHANTS NATIONAL BANK BLDG. • TOPEKA, KANSAS 66612
(913) 232-7772 • FAX (913) 232-0917

STATEMENT OF DONALD P. SCHNACKE, EXECUTIVE VICE PRESIDENT
KANSAS INDEPENDENT OIL & GAS ASSOCIATION

PRESENTED TO THE KANSAS SENATE COMMITTEE ON ASSESSMENT & TAXATION
RE: HB 2892 - SCHOOL FINANCE

MARCH 25, 1992

Due to an unavoidable conflict, I am unable to be present in person to present this testimony. I will return to Topeka tomorrow and be available for questions.

Throughout the 1992 session, we have had the opportunity to participate in the development of the revenue side of HB 2892. The economic plight of the Kansas oil and gas industry has been of keen interest to the House Taxation Committee. Accordingly, the House Committee avoided placing additional tax burdens on oil and gas producers. After careful deliberation the Committee developed legislative solutions that would relieve tax inequities faced by oil and gas producers and prevent premature abandonment of oil wells.

In our analysis of HB 2892, which includes a uniform school levy of 29 mills, and offsetting increases in sales and income taxes, the result to our industry is a wash. However, on the House floor, and without benefit of committee deliberation, the House voted to remove the sales tax exemption on electricity, gas, and water used in manufacturing and production processes, now defined under KSA 79-3602(m)(b). Perhaps without knowing, and it was not mentioned during the floor debate, removing this exemption impacts Kansas oil producers approximately $5.7 million, adding yet one more level of cost of operations to the lifting of crude oil and brine at a time when lifting costs often exceed the price received for crude oil. This is a cost that cannot be passed along to consumers. It is a tax borne by the producer.

Our survey of oil producers indicated that the cost of electricity and other fuels to operate oil field pumps represent about one-half of average lifting costs. Taxing electricity and other gaseous fuels simply equates to premature abandonment and plugging of oil wells when it should be the policy of the legislature to do what is possible to prolong the life of marginal oil production. Of the nearly 47,000 oil wells in Kansas, many are producing such small quantities of oil that this additional sales tax will be seen as a distinct disincentive to continue production.

We urge you to remove from the funding of schools a sales tax relating to electricity, gas and water used in manufacturing and production and restore the exemption defined under KSA 79-3602(m)(b).

SENATE ASSES. & TAX
3-25-92 ATT. 18

BURLINGTON UNIFIED SCHOOL DISTRICT NO. 244
District Office
200 SOUTH SIXTH
BURLINGTON, KANSAS 66839
316-364-8478

TESTIMONY FOR THE SENATE TAXATION COMMITTEE

Opposing House Bill 2892
by
Larry Clark, Superintendent of Schools
Burlington U.S.D.No. 244
March 24, 1992

The Burlington Unified School District No. 244, on behalf of its taxpayers wishes to protest the concepts of House Bill 2892. We appeal to the members of this committee to consider the ramifications of a bill that; 1. is considered to be a state tax rather than a local tax, 2. requires a uniform mill levy, 3. assumes no other taxing unit will increase taxes where there is a reduction in the U.S.D. tax, 4. takes resources from one school district to aid another school district and 5. restricts the home rule decision-making process of the local Boards of Education.

The basis of this bill changes the long time philosophy that the property tax is a local tax; a tax that the local people have full control over to use as they feel the need to better themselves or to keep the status quo. The change in this philosophy will hurt community morale and stifle local pride.

The funding of education with a uniform mill levy is suspicious. As outlined by the Governor, there seems to be a shortage of between two to three hundred million dollars to fund either HB 2892. The tie to a uniform mill levy raises many future funding questions. We cannot support a bill that sets a uniform mill levy not knowing if the mill levy will remain at the initial level or be increased as there is a need for additional money.

The basic concept of the uniform 29 mill levy is to give property tax relief to the people. Will there be assurances that other taxing units will not increase taxes where there is a reduction in the USD tax levy? The committee needs to address this issue, otherwise there may not be tax relief to the people. This bill doesn't address communities that give tax abatements to business and industry. If a uniform mill levy is implemented it should be levied on all property within the community; otherwise communities with a liberal practice of issuing tax abatements are taking advantage of taxpayers across the state. If you want to be fair and provide tax relief put everyone on the tax rolls.

The HB 2892 will have a drastic monetary effect on the patrons of some Kansas school districts. We believe in the free enterprise system and capitalism as an American way of life. The funding recapture concept of HB 2892 goes against this basic American ingenuity concept. House Bill 2892 will destroy enthusiasm and community pride if economic development improvement means sending the improvement effort to Topeka. Communities will stop looking for ways to improve themselves. And worst yet, the "spend it or lose it" mentality will drive expenditures higher. The long term effect of this bill will produce mediocrity in Kansas education and promote the lack of fiscal responsibility.

The home rule decision-making authority of the local boards will be eroded with the implementation of HB 2892. The uniform mill levy will eliminate the local input through the first 29 mills, thus leaving local patrons or elected officials without a voice in a very important part of running a school district. The local people of each school district make the best decisions for their students.

In conclusion, we want to emphasize that House Bill 2892 will have a negative effect on all taxing units. It is not a long term solution to the current funding dilemma. This bill will cost the state more money in the long run because communities will stop trying to help themselves while waiting for their state equalization check. The legislature rushed into classification and reappraisal with very little understanding of the effect on the taxpayers. There is still a question of fairness in a system that cannot guarantee that appraisals are uniform from county to county. We urge the Senate Taxation Committee to not rush into HB 2892 without fully understanding and explaining the long term effects on taxpayers and taxing units.

Thank you for your time and consideration. If you have questions please feel free to contact Larry Clark; (316) 364-8478.

BURGESS & ASSOCIATES

Suite 1100 - 800 SW Jackson - Topeka, Ks 66612
(913) 234-2728 Fax (913) 233-7991

Testimony

before the
Senate Tax Committee

Presented by Denny Burgess
Representing Southwest Kansas
Royalty Owners Association
Wednesday March 25, 1992

Mr. Chairman and members of the committee:

I am Denny Burgess appearing today for the Southwest Kansas Royalty Owners Association. Bernie Nordling is the Executive Secretary of the Association. Mr. Nordling appeared before the joint Tax and Education Committees on Feb. 13 and presented some 13 pages of testimony opposing HB 2891 and 2892. He mailed a copy of his House Committee statement to each member of the Senate. I think you all have that testimony, so in the interest of saving trees which are in short supply in Southwest Kansas I have not made 20 more copies of Mr. Nordling's statement. I have however provided a copy for the records of this committee.

In that testimony on February 13, Mr. Nordling expressed the very real concern that adding to the heavy tax burden on the oil and gas industry in the Hugoton Field could cause the major companies operating there to consider moving to other parts of the country for gas markets where prices and taxing structures are more attractive. On February 20, a news article in the Hugoton Paper verified Mr. Nordling's concern when Mobil announced plans to cut back production and exploration. There is still concern that other major companies operating in the Hugoton Field will follow suit.

We ask that you give very serious consideration to the economic impact of a 45 mill state-wide levy which would increase the tax burden even more on the oil and gas industry in Kansas. We would urge you to be extremely careful in developing any school finance scheme that separates the privilege of spending the money from the responsibility of raising the taxes to pay for it. There is always a loss of efficiency when the people spending the money view it as free money from some where else, whether it be Federal aid, State aid or aid from Southwest Kansas.

SENATE ASSES. & TAX
3-25-92 ATT. 20-1

We need only to think back a decade to the severance tax debates when we were told that this free money from the wealthy Oil & Gas Industry would solve all our problems. It was going to pay for our schools and build roads at no apparent cost to the average tax payer. I was a member of the House of Representatives at that time from a district with practically no Oil or Gas. I still could not support a severance tax, because I knew that we couldn't depend on it as a stable source of revenue for funding all these projects. And once the projected revenue was built into the various budgets there would be no way to turn back the clock. After I retired the severance tax was passed and my fears were soon realized. Many of you have had to face several major tax increases since the severance tax was passed.

I would urge you to oppose any state-wide levy at this time because it could not possibly work as long as we have so many problems with state-wide appraisals. We must have a system that keeps the responsibility for and control of education at the local level.

Thanks for the opportunity to speak to you about this important issue.

FRANKLIN DEE WILLIAMS
3212 S. W. EVENINGSIDE
TOPEKA, KANSAS 66614
(913) 272 5392
R. # 31

FEBRUARY 12, 1992 & MARCH 25th 1992

Shawnee County Fair Grounds
Topeka Kansas

Re: School Finance Issue prohibitions and any possible cover up of Organic Act grant of Lands and perpetual Fund Usurption in Violation of Grant and wrongful Voucher approval:

To Whom It May Concern:

My name is Franklin Dee Williams. I was ask to review what ever I could and report to anyone who was interested what ever I was to observe and that brings me to the following.

1. I do not waive any previously set out position whether it be Official, Administrative, Political or Private, yet seek in good faith to offer my observations.

2. I was ask to review the Question of School Finance and I first reviewed the Organic Act, and more specifically Section 34 which seemed to set out a grant and what would seem to reserve 1,560 acres in each township of the Territory, followed by the Special Encatment in 1855 Chapter 58 and the peoples Constitution called the Topeka Constitution of 1855 the Vote of the people for their ratification on the fifteenth day of December, A.D. 1855 as wellas the United States Congressional Record daily minutes of 1856 and the CONCURRENT RESOLUTIONS - - Reafirming The People's Constitution, Framed At Topeka On The 23rd Day Of October, A.D. 1855 as signed the 3rd day of August, A.D. 1857 as signed, and the act of Admission and who appears to have the authority over such at that time.

3. I reviewed the perported Opinion in documents of Division 6 Shawnee County Kansas Dated fourteenth day of October 1991 and the (3) Three issues (not herein set out) yet not objected to.

4. I observed that in attempt to review documents and records some measure of restrictiveness if not evidenced was present to prevent any early review and has to date not been resolved.

I have reason to believe and I do believe that without full cooperation by everyone at all levels of concern this matter will continue to be obstructed and proper resolve will not evolve. And that to require 60 copies of this is oppressive and may be found to restrict Others from assisting.

Respectfully submitted, With Objection
Franklin Dee Williams
Franklin Dee Williams

cc: Others

SENATE ASSES. & TAX
3-25-92 ATT-21