

Approved June 26, 1992  
Date

MINUTES OF THE SENATE COMMITTEE ON EDUCATION

The meeting was called to order by SENATOR JOSEPH C. HARDER at  
Chairperson

4:30 ~~xxx~~ p.m. on Monday, April 6, 1992 in room 254-E of the Capitol.

All members were present except:

Committee staff present:

Mr. Ben Barrett, Legislative Research Department  
Mr. Chris Courtwright, Legislative Research Department  
Ms. Avis Swartzman, Revisor of Statutes  
Mr. Dale Dennis, Assistant Commissioner of Education  
Mrs. Millie Randell, Committee Secretary  
Conferees appearing before the committee:

Senate Substitute for House Bill No. 2892 - School district finance and quality performance act.

Chairman Joseph C. Harder called the meeting to order and informed members that Senate Substitute for House Bill No. 2892 has been assigned to the Education Committee following Senate Committee of the Whole action on it Saturday, April 4. He said that the bill is subject to Committee discussion and/or action on it just as any other bill that is referred to the Committee, and he ruled that Committee jurisdiction covers the entire bill, since, to his knowledge, the bill has not been referred separately. He explained that because of the various actions that had been taken on the bill by the Senate Committee of the Whole, he has requested Mr. Ben Barrett, staff, to review and update the Committee on the bill in its present form. He then called upon Mr. Barrett. (Attachment 1)

Mr. Barrett explained that his review would highlight the amendments that had been adopted by the Senate on Final Action last Saturday, April 4.

Mr. Barrett reminded the Committee that the school finance concept before them represents the plan sent to the Senate by the House, with certain modifications. He noted that it is not a modification of the School District Equalization Act.

Mr. Barrett noted the following modifications made to Senate Substitute for House Bill 2892 by the Senate Committee of the Whole:

Basic state aid per pupil was reduced to \$3615 (from \$3625).

The Low Enrollment Weighting provision which applied to all school districts having enrollments less than 2,000 was modified so that it now applies to all districts having enrollments of less than 1,500.

In order for a district to take advantage of the at-risk weighting factor, the district must maintain an approved at-risk assistance program.

The bill imposes a local, mandatory 31-mill levy.

A school district's remittance under the recapture clause provision shall occur on June 1 instead of June 30.

Procedure for monthly distribution of aid by the State Board of Education to school districts is clarified.

Local Option Budget authority was increased to 25.0 percent of its State Financial Aid. The five percent protest/election provision was deferred for one year and begins in the 1993-94 school year.

The Local Enhancement Budget provision was eliminated.

A technical change provision states that any money remaining in the Local Option Budget fund at the end of the school year is

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON EDUCATION,  
room 254-E, Statehouse, at 4:30 ~~xxx~~ a.m./p.m. on Monday, April 6, 1992

transferred to the General Fund of the school district, and it prohibits the transfer of money from the Local Option Budget fund to the Capital Outlay fund.

School reform provisions remain unchanged.

A pilot educational voucher program is established for the 1993-94 and 1994-95 school years whereby the voucher amount is \$5,000 for exceptional children who require special education services and \$2500 for all other program eligible children. The State Board will assess the effectiveness of the program after two years.

A non-severability clause states that if the distribution system is declared invalid by a court, the presumption is that the legislature would not have passed the tax package.

Following the explanation given by Mr. Barrett, the Chair opened the floor for discussion. He informed members that he would not entertain motions today and plans to defer action on the bill until tomorrow in order to give the Committee enough time to fully comprehend the plan.

Following discussion, the Chair called upon Mr. Chris Courtwright, staff, to review the Tax Provisions currently contained in Senate Substitute for House Bill No. 2892.

Mr. Courtwright described amendments to the bill pursuant to Final Action by the Senate Committee of the Whole on April 4:

The proposed statewide sales and use tax is increased by one-half percent to 5.25%.

The proposed rate increases for individual income taxes are reduced with resultant revenue reduced to \$73.8 million from \$120.5 million.

Sales tax exemptions which would have been removed for original construction services, new mobile homes, and the lease or rental of films used by motion picture exhibitors are restored.

Revenue sources and amounts remaining in the bill, as noted by Mr. Courtwright, are found on page 15 of the brief prepared by the Legislative Research Department. (Attachment 1)

Several requests were made of staff to provide the Committee with additional, pertinent information in order to compare further the House plan with the Senate Substitute for House Bill No. 2892.

Ms. Swartzman, responding to a question, assessed that in all likelihood, if and when Judge Bullock should rule, he will declare that under the Kansas Constitution the right to an equal educational opportunity is guaranteed, and the guarantee begins with equal dollars per pupil expenditures. This base, she continued, can then be expanded based upon rational educational reasons.

The Chair announced that the meeting tomorrow will commence at 1 p.m. and that members will be notified as to location.

The Chair adjourned the meeting.

SENATE EDUCATION COMMITTEE

TIME: 4:30 p.m. PLACE: 254-E DATE: Monday, April 6, 1992

GUEST LIST

<u>NAME</u>	<u>ADDRESS</u>	<u>ORGANIZATION</u>
J. Marshall	Topeka	Harris News Service
D. Apt	"	USD #500
Helen Stephens	Topeka / PV	USD 229
Jim Youally	Overland Park	USD #512
Pat Baker	Topeka	KASB
John Kuefer	Topeka	KASB
Bill R. Fuller	Manhattan	Kansas Farm Bureau
Jim KEELE	PAOLA	B.H.E.
Julie Hood	Topeka	Hein, Ebert & Roesa
Lynn Nichols	Wichita	USD 259
Mr. Baker	Topeka	4th Enrollment USD's
Ray Collier	Topeka	KNEA
Craig Prant	Topeka	KNEA
<del>John Roberts</del>	Topeka	<del>HO AITSS</del>
BRUCE GOEDEN	TOPEKA	KANSAS NEA
Chuck Tillyman	Topeka	KNEA
Ann C. Burnett	Topeka	USD 1501
Toni WHEELER	TOPEKA	SEN. KARR'S OFC.
BOB MARTIN	TOPEKA	SEN. KARR'S OFC.
Bernie Koch	Wichita	Wichita Chamber
Jim Allen	Topeka	McGILL - ASSOCI
Jacques Dates	Topeka	IQE
GERARD HENDERSON	Topeka	USPA of KS
Jeff Wagoner	Topeka	Senate Staff

SENATE EDUCATION COMMITTEE

TIME: 4:30 p.m. PLACE: 254-E DATE: Monday, April 6, 1992

GUEST LIST

<u>NAME</u>	<u>ADDRESS</u>	<u>ORGANIZATION</u>
<i>Rich McKee</i>	<i>Topeka</i>	<i>A J Fereday Assoc.</i>
<i>Jim Lippell</i>	<i>"</i>	<i>KPL GAS SERVICE</i>
<i>Dan Haas</i>	<i>Overland Park</i>	<i>KCPK</i>
<i>Curt Carpenter</i>	<i>Great Bend</i>	<i>West Plains Energy</i>
<i>L. Ferguson</i>	<i>Topeka</i>	<i>AP</i>
<i>J. Pelterm</i>	<i>"</i>	<i>Star</i>

SESSION OF 1992

**SUMMARY OF SENATE SUBSTITUTE  
FOR HOUSE BILL NO. 2892**

As Amended by Senate on Final Action on  
(April 4, 1992)

**Brief\***

Senate Sub. H.B. 2892 enacts the School District Finance and Quality Performance Act which on July 1, 1992, replaces the School District Equalization Act. The main provisions of the bill are summarized below.

**PART I – DISTRIBUTION/FINANCIAL PROVISIONS**

**Primary Funding Program**

**State Financial Aid**

The State Financial Aid (SFA) of a district is determined by multiplying the base state aid per pupil (BSAPP) of a district by the district's adjusted enrollment. The BSAPP is \$3,615. Adjusted enrollment is calculated by adding to the enrollment of a district (as such enrollment historically has been determined) "program," "low enrollment," "transportation," and "at-risk pupil" weightings.

The BSAPP is subject to reduction in proportion to any reduction in the amount of the appropriation from the State General Fund to the School District Finance Fund under an executive order designed to maintain State General Fund ending balances of \$100 million.

**Program Weighting.** This weighting is provided for pupil attendance in certain educational programs which differ in cost from regular programs. The

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

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programs so identified are bilingual education and vocational education. To obtain the enrollment adjustment attributable to these programs, the State Board of Education computes the full-time equivalent enrollment in each such program and multiplies the bilingual education enrollment by 0.2 and the vocational education enrollment by 0.5. The sum of these two products is the program weighting enrollment adjustment of the district. (There would no longer be categorical state aid for bilingual education and, presumably, for secondary vocational education students.)

**Low Enrollment Weighting.** The enrollment adjustment produced by this weighting is assigned to school districts having enrollments of under 1,500 in order to recognize the higher costs attributable to the operation of low enrollment districts. The low enrollment weighting is determined by constructing linear transitions between the 1991-92 median budget per pupil (BPP) of districts having enrollments of 75-125 and 200-399 and between the 1991-92 median BPP of districts having enrollments of 200-399 and 1,500 or more. This procedure provides the basis for determining a "schedule amount" for each school district having an enrollment of under 1,500. The 1991-92 median BPP of districts having 75-125 enrollment serves as the schedule amount for districts having enrollments of less than 100. For districts with enrollments of 100 to 1,499, the schedule amount is determined from the linear transition schedule based upon the district's enrollment in the current school year. (The increments in the linear schedule for districts having enrollments of 100 to 299 vary from the increments in the schedule for districts having enrollments of 300 to 1,499.) The amount of the median BPP of districts having enrollments of 1,500 or more is subtracted from the schedule amount determined for each district having an enrollment of less than 1,500. The result is divided by the median BPP of districts having enrollments of 1,500 or more and the quotient so derived is applied to a district's current year enrollment to produce the low enrollment weighting.

**Transportation Weighting.** The State Board of Education determines the expenditures in the preceding year for transporting public and nonpublic school pupils on regular school routes. Calculations are then made to net out a portion of these costs designed to represent 50 percent of the costs of transporting pupils who reside less than 2.5 miles from school. The remaining amount is divided by the number of pupils enrolled in the district who were residing 2.5 miles or more by the usually traveled road from the school attended and for whom transportation was made available by the district. The result (quotient) is the per pupil cost of transportation. The per pupil cost of transportation of each district is then plotted on a density-cost graph to which a statistical technique is applied to construct a "curve of best fit" for all school districts. This procedure recognizes the relatively higher costs per pupil of transportation in sparsely populated areas as contrasted

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with densely populated areas. Based on the school district's density, the point on the curve of best fit is identified for each district. This is the "formula per pupil cost of transportation" of the district. This figure is divided by the BSAPP and the quotient is multiplied by the number of pupils in the current school year who live more than 2.5 miles from school and for whom transportation is being provided. This produces the district's transportation weighting enrollment adjustment. (The present transportation categorical aid program is abolished.)

**At-Risk Pupil Weighting.** The enrollment adjustment attributable to this weighting is determined on the basis of the number of pupils of a district who qualify for free meals under the National School Lunch Program and for whom a district maintains an approved at risk pupil assistance program. To obtain this weighting for a district which maintains an at risk pupil assistance plan, the State Board of Education multiplies the number of pupils who qualify for free meals under the federal program by 0.05.

### **Local Effort**

A district's "local effort" is, in essence, a credit against its SFA entitlement. Local effort is defined as the sum of the following revenues received in the current school year: proceeds of the 31 mill school district general fund property tax levy; unexpended and unencumbered balances remaining in the general fund (except for revenues specifically characterized by law as not being operating expenses) and the program-weighted funds (except amounts in the vocational fund of a district which is operating an area vocational school); remaining proceeds of a transportation or technology education tax levy prior to their repeal; amounts credited to the school district general fund from industrial revenue bond and port authority bond payments; motor vehicle tax receipts; mineral production tax receipts; rental/lease vehicle excise tax receipts; and federal impact aid (PL 874), in accord with federal law and regulations.

### **General State Aid/ Remittance of Excess Local Effort Amounts**

In each school year, the State Board of Education determines each district's general state aid entitlement.

If district's local effort exceeds its SFA, the district is entitled to no general state aid and the excess amount remitted to the State Treasurer for deposit in the

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State Treasury. These funds are credited to the State School District Finance Fund. This remittance by the school district occurs on June 1 of the school year. (If a district's local effort exceeds the SFA amount, the district receives no general state aid.)

In each of the months of July through May of each school year, the State Board of Education determines the amount of general state aid that will be required by each district to maintain operations. In this regard, the State Board will take into account each district's access to local effort sources and the obligations of the district's general fund that must be satisfied. General state aid payments are made from the State School District Finance Fund. In June, the balance of a school district's general state aid entitlement will be paid.

The monthly payments are to be made at times determined by the State Board.

### **General Fund**

The general fund of a district is the fund from which operating expenses are paid and to which is deposited general state aid, payments relating to transfers of territory, P.L. 874 funds (except for major disaster amounts and amounts received under the low-rent housing program), and other moneys specified by law.

### **Contingency Reserve Fund**

Beginning in the 1992-93 school year, a contingency reserve fund is created in each school district. A district is authorized to transfer an amount from its general fund to the contingency reserve fund, subject to the limitation that the amount in this fund may not exceed 1.0 percent of the amount of the general fund budget of the district in the current school year. Money may be spent from this fund only for financial emergencies or contingencies which could not reasonably have been foreseen at the time the general fund budget was adopted.

### **Other Special Funds**

The bill identifies two categories of special operating funds (excluding the cash reserve fund). These are "program weighted funds" and "categorical funds." The program weighted funds include the transportation, vocational education, and bilingual education funds. The categorical funds include special education, food

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service, driver training, adult education, adult supplementary education, area vocational school (a new fund), inservice education, parent education, and educational excellence grant program fund. (The technology education fund is continued and other special funds of school districts as have been authorized by law are not affected by the plan.)

### Transfers From the School District General Fund

A transfer from a district's general fund to any other fund is an operating expense in the year the transfer is made. Transfers may be made from the general fund of a district to any categorical fund of the district in any school year. Similarly, money may be transferred to a program weighted fund or to the technology education fund, subject to the following conditions:

1. the transfer may not be made before the money in the program weighted fund is needed; and
2. the transfer amount may not exceed the obligation which is the object of the transfer.

The board may transfer money to the contingency reserve fund, subject to the condition that the balance in the fund in the current school year may not exceed an amount equal to 1.0 percent of the district's general fund budget in such year.

The board may transfer money to the capital outlay fund subject to the following conditions:

1. Existing limitations on transfers from the general fund to the capital outlay fund in 1991-92 are removed upon the effective date of this bill.
2. In 1993-94 and thereafter, the district must be levying at least 3.5 mills or the amount that would have been produced by a 3.5 mill levy in 1988-89, whichever is the greater amount; no transfer may be made prior to June 1 of any school year; and the amount of any such transfer may not exceed 1 percent of the general fund budget in districts with 10,000 or more

enrollment nor more than 2 percent for other districts. The provisions applicable in 1992-93 are the same as for 1993-94 except that the 3.5 mill threshold requirement does not apply.

With regard to capital outlay, it should be noted that school districts are authorized to make general fund expenditures for acquiring equipment and repairing school buildings.

Districts are authorized to transfer back to the general fund amounts transferred to other funds during the same school year.

NOTE: The changes in policy regarding transfers are as follows: transfers from the general fund to the technology education fund are authorized; limitations (as described above) are placed on transfers to those funds now being referred to a program weighted funds (and to the technology education fund); all limitations on transfers from the general fund to the capital outlay fund are lifted for the 1991-92 school year; and the 3.5 mill capital outlay levy transfer threshold is not applied in 1992-93.

### Miscellaneous Revenue

Miscellaneous revenue a district receives, such as interest on idle funds, which is not required by law to be deposited in some specific fund may be credited to any program weighted fund, categorical fund, or the capital outlay fund. (This basically is current policy.)

### Local Option Budget (LOB)/Supplemental General State Aid

In addition to the SFA funding, in any year a school district board may approve spending (LOB) in any amount up to 25.0 percent of its SFA. Beginning in the 1993-94 school year, this additional spending authority is subject to a 5 percent protest petition/election provision. The protest petition must be filed within 30 days following publication of the school board's resolution specifying the amount of the proposed LOB. Once rejected by the electors, another LOB proposal may not be submitted within the same school year.

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School districts are authorized to levy property taxes to fund their portion of the LOB. State aid is provided for the purpose of equalizing the ability of a district to utilize this provision. Money for the LOB is deposited in the school district's supplemental general fund.

Supplemental general state aid is based on an equalization feature designed to treat each district as if its assessed valuation per pupil (AVPP) were equal to that of the district at the 75th percentile of AVPP. For each school district that uses all or a portion of its LOB, the State Board divides the district's AVPP in the preceding year by the 75th percentile AVPP and subtracts the ratio so determined from 1.0. If the ratio resulting from this calculation equals or exceeds 1.0, the district is entitled to no LOB supplemental general state aid. (This is because the district's AVPP equals or exceeds the AVPP at the 75th percentile.) If the ratio resulting from the calculation is less than 1.0, the district's LOB is multiplied by such ratio to determine the district's LOB supplemental general state aid entitlement.

A proration provision applies in the event the state appropriations for this aid are not sufficient to fund school district entitlements.

School districts may spend LOB revenues for any purpose for which expenditures from the general fund are authorized or these revenues may be transferred to the general fund of the district or to any program-weighted or categorical fund of the district. Any unexpended and unencumbered cash balance remaining in the supplemental general fund at the conclusion of any school year in which a local option budget is adopted must be transferred to the general fund of the district.

## **PART II -- SCHOOL REFORM**

### **Quality Performance Accreditation System Required/Schedule for School Participation**

The State Board of Education is directed to design and adopt a quality performance accreditation (QPA) system for Kansas schools. This system will be based upon goals for schools that are framed in measurable terms and will define the following outcomes:

1. teachers establish high expectations for learning and monitoring pupil achievement through multiple assessment techniques;
2. schools have a basic mission which prepares the learners to live, learn, and work in a global society;
3. schools provide planned learning activities within an orderly and safe environment which is conducive to learning;
4. schools provide instructional leadership which results in improved pupil performance in an effective school environment;
5. pupils have the communication skills necessary to live, learn, and work in a global society;
6. pupils think creatively and problem-solve in order to live, learn, and work in a global society;
7. pupils work effectively both independently and in groups in order to live, learn, and work in a global society;
8. pupils have the physical and emotional well-being necessary to live, learn, and work in a global society;
9. all staff engage in ongoing professional development; and
10. pupils participate in lifelong learning.

In the 1994-95 school year, at least one school in every school district must participate in the QPA system and in the 1995-96 school year, every school in every district must participate in the system. In order for a school district to continue to be eligible for general state aid in the 1996-97 school year and thereafter, a district must evaluate its progress toward achieving defined outcomes and submit an annual report thereon to the State Board of Education.

## **State Board of Education QPA System Standards in Mathematics, Science, Communications, and Social Studies**

As part of the QPA program, the State Board of Education is required to develop outcomes, standards, and means of assessment for a minimum of three benchmark levels in grades kindergarten through 12 in the skills domains of mathematics, science, communication (reading, writing, speaking, and listening), and social studies (American history and geography). The standards must be developed by July 1, 1993, and must be reviewed at least in three year intervals.

The State Board of Education will engage consultative services in order to ensure that the academic standards the State Board establishes are equal to or better than those of other states and other parts of the world and that higher order thinking skills are emphasized.

### **School Site Councils as Part of the QPA System**

As part of the QPA system, each school in every district which operates more than one school must establish a school site council. The mandate does not apply in a school district in which there is only one school building. In such a district, the board also serves as the council, but, in the alternative, the board may elect to establish a school site council. The council will provide advice and counsel in evaluating state, school district, and school site performance goals and objective and in determining the methods that should be employed at the school site to meet those goals and objectives.

School site councils will be required to be established by January 1, 1993. The membership of each council is determined at the school site level, but is required to include appropriate representation from among teachers and other school personnel, the principal, parents of pupils attending the school, the business community, and other community groups.

The State Board of Education will evaluate the work of the school site councils and their effectiveness in facilitating education improvement and restructuring and publish an evaluation report thereon as of July 1, 1995.

The statutory mandate for school site councils expires at the conclusion of the 1995-96 school year, unless extended by the 1996 Legislature.

## **Extension of the School Term**

The law which establishes the minimum school term is amended beginning in 1992-93 to require for grades 1-11 a minimum of 180 six and one-half hour days and for grade 12, a minimum of 175 six and one-half hour days. In the alternative, a school district may opt for a schedule based on a minimum number of hours -- 1,170 for grades 1-11 and 1,137.5 hours for grade 12.

(The current minimum school term for kindergarten -- 180 two and one-half hour days or, in the alternative, 450 hours is not changed. The current minimum school term for grades 1-11 is 180 six hour days or, in the alternative, 1,080 hours and for grade 12, 175 six hour days or 1,050 hours.)

## **PART III -- EDUCATIONAL VOUCHERS**

### **Kansas GI Bill for Kids -- Vouchers for Educational Services**

A pilot program for the 1993-94 and 1994-95 school years is established, under which the parents of eligible children may exercise choice in the selection of schools for attendance of such children. This program will provide a means for evaluation of the concept contained in the pilot program. The program is administered by the State Board of Education.

For purposes of this program, a "program eligible child" is any person who is:

1. a Kansas resident,
2. school age and eligible for enrollment in kindergarten or any of the grades one through 12, and
3. eligible for free meals under the National School Lunch Act.

A "participating school" is a school that enters into an agreement with the State Board, and may be either a public or an accredited Kansas nonpublic school having an open enrollment policy.

The voucher amount is \$5,000 for exceptional children (those requiring special education services) and \$2,500 for all other program eligible children.

The State Board of Education will establish a program under which the parent of any program eligible child receives from the State Board, on request, a voucher that may be exchanged for educational services at a participating school selected by the child's parent. However, a parent may not obtain a voucher for educational services at a participating public school the child is entitled to attend under any other provision of law.

Each public school is a participating school unless the State Board determines that exceptional circumstances make the participation of a school contrary to the public interest. The governing authority of each nonpublic school decides whether it will participate. A participating school must admit eligible children who have received vouchers and who apply, up to the limit of the school's capacity, after reserving places for children required or entitled to be admitted to the school.

Participating nonpublic schools must establish criteria for admission of program eligible children. These criteria must be consistent with the admissions criteria that the school regularly applies. In the case of a public school, the State Board must establish criteria for the equitable allocation of places for program eligible children if there are insufficient places to serve all of the children requesting placement.

A participating school enters into an agreement with the State Board. The agreement must provide that the participating school will furnish a program eligible child who is admitted to the school and who tenders a voucher education equivalent to that provided to all other children attending the school. The agreement also must provide that the participating school will provide transportation to and from school for program eligible children upon request of the parents of such children, but transportation need not be provided to program eligible children who reside outside the school district in which the school is located. If the participating school is a public school, the agreement must provide that a program eligible child is not charged tuition and that the fees charged by the school will be not greater than the amount of fees regularly charged by the school. If the participating school is a nonpublic school, the agreement must provide that the amount of tuition and fees charged a program eligible child will be not greater than the amount regularly charged by the school or an amount equal to the voucher amount, whichever is the lesser amount.

If a program eligible child attends a participating public school in a school district in which the child does not reside, the child is counted as regularly enrolled in that school district for purposes of the School District Equalization Act. Each school year the State Board will prepare a list of all participating schools.

The parent of a program eligible child may use a voucher in exchange for educational services at a participating school only if the child is admitted to the school. The parent presents the voucher to the participating school and the school presents the voucher for redemption to the State Board. Upon redemption of the voucher, the participating school credits the account of the child by the amount of the voucher. The amount of any voucher is not considered gross income and is not taxable for Kansas income tax purposes.

Each participating school must:

1. satisfy the terms of the agreement entered into with the State Board; and
2. publish or otherwise make available information regarding the school's participation in the pilot program, the program of instruction provided, achievement data regarding children attending the school, incidence of drug abuse, school discipline and safety, and any other matters as specified by the State Board.

The State Board will monitor the academic performance of program eligible children attending participating nonpublic schools. If the State Board determines in any school year that the children attending any such school are not demonstrating significant academic progress or that the school is not meeting other prescribed requirements, the school may not participate in the program in the succeeding school year.

Upon completion of the 1994-95 school year, the State Board will evaluate the program, assess its impact on the quality of elementary and secondary education in the state, and make a report to the Governor and the Legislature with regard to the program's effectiveness.

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## PART IV – TAX PROVISIONS

### Property Tax Levy

Beginning in 1992, the bill requires each school district to levy annually a general fund property tax of 31 mills on the assessed valuation of the district.

### Sales and Use Tax

The bill increases the statewide sales and compensating (use) taxes from 4.25 percent to 5.25 percent, effective June 1, except that the rate increase does not apply to the furnishing of tangible personal property pursuant to certain written contracts for construction or improvements which were entered into prior to May 15, 1992.

### Sales Tax Exemptions

The bill also imposes a state sales and use tax rate of 2.50 percent on the following previously exempt sales, effective June 1:

**K.S.A. 79-3602 (m) (B)** -- electricity, gas, and water consumed in the production or manufacture of tangible personal property -- FY 1993 Fiscal Note: \$16.7 million

**K.S.A. 79-3606 (z)** -- residential intrastate telephone and telegraph services -- FY 1993 Fiscal Note: \$3.1 million

**K.S.A. 79-3606(p)** -- trade fixtures and equipment previously installed when sold by a person ceasing business -- FY 1993 Fiscal Note: \$0.5 million

**K.S.A. 79-3603(g)** -- hotel and motel rooms rented for more than 28 consecutive days -- FY 1993 Fiscal Note: \$0.6 million

The local sales tax base would not be affected by any of the new sales which would be taxable at the 2.50 percent state rate.

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## **Individual Income Tax**

The bill also makes a number of changes in the individual income tax structure. The option for taxpayers to pay under a different set of rates after deducting federal income taxes paid is repealed.

The new tax rates imposed for married taxpayers filing jointly are 3.65 percent on taxable income up to \$30,000; 5.50 percent on taxable income between \$30,000 and \$60,000; and 5.75 percent on taxable income in excess of \$60,000. These rates replace the current rates of 3.65 percent on taxable income up to \$35,000; and 5.15 percent on all taxable income in excess of \$35,000.

For all other individuals the new rates would be 4.50 percent on taxable income up to \$17,500; 6.25 percent on taxable income between \$17,500 and \$30,000; and 6.65 percent on taxable income in excess of \$30,000. These rates replace the current rates for all other individuals of 4.50 percent on taxable income up to \$27,500 and 5.95 percent on taxable income in excess of \$27,500.

The combined tax year 1992 fiscal impact for all of the individual income tax changes is estimated at \$73.8 million, based on the Department of Revenue's simulation model.

## **Corporation Income Tax**

The corporation income tax rates also are adjusted. The base rate is lowered from 4.5 percent to 4.0 percent, the surtax is increased from 2.25 percent to 3.25 percent, and the level at which the surtax becomes effective is increased from \$25,000 of taxable income to \$50,000 of taxable income. These provisions combine to increase revenues by approximately \$5.2 million annually.

**Additional State Resource Summary – FY 1993**

(In Thousands)

Sales Tax Exemptions (at 2.5%)	\$ 20,900
Sales and Use Tax Increase (to 5.25%)*	233,200
Individual Income Tax	73,800
Corporation Income Tax	5,200
<b>TOTAL</b>	<b>\$ 333,100</b>

\* Note: The sales tax increase has been updated to reflect the April 3 change in the Consensus estimate.

**PART V – NONSEVERABILITY**

**Nonseverability of Act**

This language states that if the provisions of the act relating to financing of school districts and distribution of funds therefor are held unconstitutional by a court, it will be conclusively presumed that the Legislature would not have enacted the provisions for the levy of taxes.

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