

Approved: \_\_\_\_\_

  
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Phill Kline at 9:00 a.m. on January 19, 1995 in Room 519--S of the Capitol.

All members were present.

Committee staff present: Chris Courtwright, Legislative Research Department  
Tom Severn, Legislative Research Department  
Don Hayward, Revisor of Statutes  
Ann McMorris, Committee Secretary

Conferees appearing before the committee: See sponsors and their designated conferees as pertaining to each respective bill discussed.

Others attending: See attached list

The meeting was called to order at 9:00 a.m. by Chairperson Phill Kline. Chair set forth the rules on hearing of the car sales tax bills, namely, sponsors and their designated conferees will be heard by the committee. All other interested parties will be heard once all bills relating to car taxes have had a preliminary hearing.

**HB 2093 - an act relating to the taxation of motor vehicles, reducing the applicable assessment rate; providing for revenue replacement to taxing subdivisions (Bradley)**

Proponents:  
Earl Readnour, Citizen (Attachment 1)  
Dale Buchanan, Citizen (Attachment 2)  
Rep. Shari Weber (Attachment 3)  
Rep. Tom Bradley (Attachment 4)

**HB 2106 - Car tax assessment reduction. (Larkin)**

Proponents:  
Rep. Tom Sawyer  
Rep. Bruce Larkin  
Rep. Henry Helgerson (Attachment 5)

Closed hearings on **HB 2093** and **HB 2106**.

The next meeting is scheduled for January 20, 1995.

Adjournment.


# TAXATION COMMITTEE GUEST LIST

DATE: 1-19-95

NAME	REPRESENTING
<i>Ed Mosher</i>	<i>City of Topeka</i>
<i>Steve Stott</i>	<i>Revenue</i>
<i>Steve Moske</i>	<i>KDOR</i>
JILL CRAMPACKER	LEG. LIASON-GOVERNOR'S OFFICE
<i>Al De</i>	<i>Costs office</i>
<i>Molly Phillips</i>	<i>Rep. Millure</i>
<i>Mary Jane Stattelmead</i>	<i>KS Farm Bureau</i>
<i>Christy Bailey</i>	<i>Senator Karr</i>
<i>Pam Somerville</i>	<i>KS Auto Dealers ASSN</i>
<i>Jacque Dakes</i>	<i>KIADA</i>
<i>Barbara Buttz</i>	<i>Dept of Admin</i>
<i>Hwendolyn Allen</i>	<i>Rep. Wilk</i>
<i>Christy Young</i>	<i>Dr Topeka Chamber of Commerce</i>
<i>Robin Lehman</i>	<i>Olath District Schools</i>
<i>Glen Freel</i>	<i>John Hoffer Chrysler Plymouth</i>
<i>Michelle Peterson</i>	<i>Ke. Gov. Consulting</i>
<i>Marva Williams</i>	<i>SRS-KS Planning Council on Developmental Disabilities</i>
<i>Shannon Peterson</i>	<i>KBA</i>
<i>Martha Uen</i>	<i>KMHA</i>

# TAXATION COMMITTEE GUEST LIST

DATE: 1-19-95

NAME	REPRESENTING
Ken Clark	KDOR
Rick Scheibe	KDOR
Betty McBride	KDOR
Trudy Racine	KDOT
Rick Mann	KDOC+H
	Western Resources

TAX COMMITTEE TESTIMONY ON HOUSE BILL 2093

Earl H. Readnour  
6037 S. W. 36th St.  
Topeka, KS 66614  
(913) 273-7964

I want to bring to your attention the Unreasonable personal property taxes we Kansans are required to pay every year on our automobiles. All of you are probably already aware that Kansas residents pay more property taxes on automobiles than people in most other states. Residents in some counties, including Shawnee County, rank right at the top in payment of high car taxes in this country and surely this is not the way it should be.

The Wife and I went to the Courthouse in September to obtain our car tags. We were presented with a bill for \$1,768.00 for tags and taxes on two automobiles. This is not only outlandish, but is ridiculous! We were furious! Needless to say, I went home and wrote a nasty letter to our State Senator and Representative insisting they address this matter and do something to reduce these taxes during the 1995 legislative session.

There will be money available this year to cover a reduction in car taxes providing it doesn't get gobbled up by special interest groups to satisfy their insatiable appetite for tax monies..

Surely every legislator in this state is cognizant of the fact that the residents of Kansas are being ripped off by this excessive high tax on vehicles. We are fed up and it's high time something is done to right this wrong.

Tax relief is needed now, in 1995, not five years from now as some are advocating. We urge the legislature to reduce our automobile taxes and do it this year.

Earl H. Readnour

TAX COMMITTEE TESTIMONY ON HOUSE BILL 2093

Dale A. Buchanan  
1520 Indian Trail  
Topeka, KS 66604  
(913) 272-0584

This statement concerns personal property tax on autos. There has to be a better way to tax than re-tax the same product every year. It seems that government of any kind does what it does because it has been doing it this or that way forever. When they need more money for additional cost for employees or equipment, they just raise the percentage of tax a little higher.

I suggest that they reorganize their costs, reduce the number of employees and give the public the benefit of a somewhat lower cost. It seems that stream-lining their procedures of how things are done can and should reduce the tax level. Up to now, they just take the easy way out and charge more taxes, and employ more people.

Attached is an example of our problems with car taxes. Since 1985, I have paid over \$2,590.39 on my car. This is way too much.

I urge you to lower car taxes and cap the mills as soon as possible.

  
Dale A. Buchanan

Testimony for House Taxation Committee--January 19, 1995

By Rep. Shari Weber

RE: House Bill 2093 - An act relating to the taxation of motor vehicles

Currently the taxation of automobile personal property is considered excessive by the people of the 68th District. Taxpayers find the tax out of line with bordering states. The tax results in licensing of Kansas citizen's automobiles somewhere other than Kansas. This illegal licensing results in lost tax revenue for county government. The excessive tax creates an unfriendly economic environment for automobile sales resulting in more tax revenue loss for the State.

Constituents contend the same vehicles ~~leased~~<sup>licensed</sup> out of state are utilizing the roads and state highways of Kansas causing wear that necessitates maintenance, yet not contributing tax dollars to road upkeep. Lowering the current automobile property tax by one-third would bring Kansas automobile personal property tax down to the average of a similar tax across the nation.

Lost revenue to counties from this motor vehicle tax cut would be matched by funds from the state general fund. Counties would reduce their taxes by one-third. The state would make up the difference in revenue so the counties do not lose any funding as a result of this tax cut. The state would transfer 100 million dollars to the counties. The state would get this 100 million by imposing a two year freeze on state growth. In essence, taxpayers would experience automobile personal property taxes in line with other states as well as having state tax dollars returned to county government for local use. A portion of this state obligation should be satisfied by revenue resulting from elevated automobile sales in Kansas.

This automobile personal property tax cut lowers an excessive tax that has overburdened taxpayers and suppressed the economics of automobile sales in Kansas for years.

## TESTIMONY RELATING TO MOTOR VEHICLE TAX

Good morning, Everyone! Thank you for the opportunity to come before you with my remarks.

I am here to ask you to refer the Motor Vehicle Tax Bill out of committee.

The Motor Vehicle Tax, in its present form, is at odds with a vision of Kansas that I think we all hold: the vision, that Kansas is a leader among the 50 states; that Kansas commands respect as an economically sound, environmentally healthy, and esthetically pleasing place in which to live, work and do business; that Kansas is a great state!

However, we may be seeing our greatness slip away. Despite the dedicated efforts of economic development professionals around the state, Kansas has come under increasing pressure as the competition for new business and new markets intensifies. In today's global economy, high-tech, high-paying companies can choose to locate in Paxico or in Pakistan, in Great Bend or in Great Britain. The world is organizing into three major trading blocks: the Americas, Europe and the Pacific Rim. The competition is fierce as businesses who seek to build new plants shop for the location that offers the best business climate.

The winners in the 21st Century will be those regions who attract industries of the future such as telecommunications, robotics and computer software. We must take action now to insure that Kansas participates in the current information revolution. The vision is to develop a "Silicon Valley" corridor stretching from Kansas City to central Kansas and on to Wichita. Rural Kansas must also be wired into the information highway, insuring a rich and interactive quality of life.

An obstacle does stand in the way of our Vision. Kansas continues to labor under the burden of taxes. According to Kansas Inc., while sales and personal income taxes are competitive, we are higher on both a regional and national level for Property taxes, Corporate Income taxes and Motor Vehicle taxes. Again, according to Kansas Inc. "Kansas has an image of being anti-business. For Kansas to grow, we must have an overall attractive business climate."

To sight a local example, consider one of the healthiest members of our Topeka business community, Goodyear. Let's look down the road over the next twenty years:

There are only three major tire manufactures in the world : Goodyear in America, Michelin in France and Bridgestone in Japan. In the global playing field of commerce the competition will become ruthless. Each company's goal is to expand market share and increase return on its capital. Michelin and Bridgestone will place tremendous pressure on Goodyear to be as efficient and as cost effective as possible. Consequently, Goodyear's tax liability will play an increasingly pivotal role in that company's operating costs, and thus its survival.

Don Lilya, manager of the Topeka Goodyear plant, has presented testimony to this committee on previous occasions. The statistics he gives on taxes are staggering. The Topeka plant pays 47 % of all taxes incurred by all eight Goodyear plants. In other words, the Kansas plant pays as much in taxes as the other seven Goodyear facilities combined. The cost for a tire built in Topeka is higher than the cost of a tire built in another state due to our higher taxes. If **you** were the president of Goodyear and had to reduce costs, which plant would you cut back or close? Can we afford to take that chance? Can we afford to lose this business with its millions of dollars of payroll benefiting northeast Kansas? There were at one time 10 Goodyear plants, but the Los Angeles and the Michigan plants were closed because of non-competitive high taxes.



There are many other examples of global competition exerting pressure on our Kansas companies. Our State Representatives from Wichita can testify to the global competition in the airline manufacturing industry. Airbus of Europe has been a severe competitor of Wichita's Boeing. Airbus, in just a few years, has gained almost 30% of the market and their announced goal is to capture over 50% of the world market share. We can't afford to lose these companies, or to lose the businesses that would have located here -- if only we had presented a welcoming business climate!

**We are at a disadvantage. We must lower taxes! We must become a low tax state.**

The bill we are discussing today concerns one of those taxes -- the Motor Vehicle Tax. While not exclusively a tax affecting businesses, it nevertheless adds to the cost of living and working in our state. For example, a 1990 Ford Taurus has a tax liability of \$271.29 in Topeka and only \$86.43 in Jefferson City, the capital of Missouri. This makes us less attractive, and thus less competitive, to prospective businesses and their employees.

The bill before you lowers Motor Vehicle Taxes by one-third beginning in calendar year 1996. Starting with calendar year January 1, 1996, the assessment is lowered from 30% to 20% and the mill levies for Motor Vehicles are capped. We would establish a Local Motor Vehicle Tax Account and transfer revenue from state general funds (SGF) to local governmental units, offsetting any shortfalls. This can be accomplished if state spending is held constant over the next two fiscal years. The exceptions would be School Enrollment Growth, School Capital Improvements, and State Highway Fund Transfers. By freezing the growth of government for two fiscal years, we can reduce Motor Vehicle Taxes by one-third, resulting in an annual savings of 100 Million dollars to the tax payers of Kansas. **This would place our state in a mid-tax range for Motor Vehicle taxes.**

In five years we will meet the 21st century. Our competitors are preparing. While we are having this discussion, other states competing for Hi-Tech jobs are not just stabilizing their taxes, but are dramatically cutting taxes. What are we going to do?

There are times in life when we face a defining moment, a moment which changes the course of events. Each of you on this committee now faces such a moment. You have the power to make a fundamental change, a change that will have consequences for the quality of life in Kansas for years to come. Take hold of the Vision. Make it a reality today. Ladies and Gentlemen, I respectfully request that you take this bold, decisive action and refer this Motor Vehicle Tax bill out of committee.

Thank you, honorable Representatives, for your time.

January 19, 1995  
Representative Tom Bradley  
52nd District

TO: Rep Henry Helgerson, John Polzar  
 FROM: Chris W. Courtwright, Principal Analyst  
 RE: Ballpark Fiscal Notes on Motor Vehicle Tax Reduction Plan

This memo is in response to your request for information on the impact of a motor vehicle tax plan which would reduce the statutory assessment rate from 30 percent to 27 percent on January 1, 1996; to 24 percent on January 1, 1997; to 21 percent on January 1, 1998; to 18 percent on January 1, 1999; and to 15 percent on the first day of the next millenium.

### Statewide Impact on Motor Vehicle Tax Receipts

Based on a computer simulation model used by the Department of Revenue during the 94 session and assuming a five percent annual growth rate in both mill levies and motor vehicle valuation, I have computed a ballpark fiscal note. The fiscal note is also based on the assumptions that (1) half of all motor vehicle tax receipts is distributed to school districts and half is distributed to all other taxing units; and (2) half of all calendar year motor vehicle tax receipts is distributed to all taxing units by the end of June.

(\$ in millions)

	<u>Total F Note</u>	<u>USDs</u>	<u>All Other Units</u>
FY 1996	(\$12.75)	(\$6.375)	(\$6.375)
FY 1997	(\$39.50)	(\$19.750)	(\$19.750)
FY 1998	(\$68.90)	(\$34.450)	(\$34.450)
FY 1999	(\$101.15)	(\$50.575)	(\$50.575)
4-yr Total	(\$222.300)	(\$111.150)	(\$111.150)

### Impact on School Districts

With respect to the impact on school districts, remember that the general state aid entitlement for school districts is calculated based on a budget of \$3,600 per pupil, less local resources. To the extent that motor vehicle tax receipts (a local resource) were to decline for USDs, the general state aid entitlement would increase by an identical amount. After my discussions with Ben Barrett, we decided that it would be reasonable to assume that the total motor vehicle tax reduction for USDs over the FY 1996 - FY 1999 period might be split 60 percent to USD general funds and 40 percent to other USD funds.

So the Legislature over 4 years would need to appropriate an additional \$66.69 million to offset the reduction to USD general funds. The other USD funds (LOB, bond and interest, capital outlay) would see a net reduction of \$44.46 million. But as we discussed on the telephone, it is your intent that the Legislature somehow devise a way to provide that amount of money to the school districts to prevent property tax increases attributable to the reduction in motor vehicle tax receipts distributed to those funds.

(more)

ATTACH

### Impact on Other Taxing Units

Under these assumptions, all other taxing units besides USDs also would see a reduction of \$111.15 million over the four-year period. Your plan calls for increases in the LAVTRF demand transfer that goes to all non-USDs as a way of holding them harmless in the aggregate. I have crafted some new LAVTRF demand transfer percentages which would accomplish this goal.

### Impact on State General Fund Profile

I have relayed all of these data to Alan Conroy, who has incorporated the impacts into the multi-year State General Fund profile. This plan of course ends up reducing the amount money in the SGF otherwise available thru FY 1999 by the \$222.3 million amount needed to hold school districts and other taxing units harmless. (Appropriations to school district general funds would need to increase by \$66.69 million over the 4-year period. Appropriations also would need to increase by the \$44.46 million needed to hold other USD funds harmless. Finally, the increase in the LAVTRF demand transfer from the SGF would reduce the amount available for other expenditures by an additional \$111.15 million.)

#### **\*\* ADDENDUM \*\***

As you requested in our follow-up telephone conversation on December 28, I have provided the fiscal notes through FY 2000. The total fiscal note based on the aforementioned assumptions would be as follows:

(\$ in millions)

	<u>Total F Note</u>	<u>USDs</u>	<u>All Other Units</u>
FY 1996	(\$12.75)	(\$6.375)	(\$6.375)
FY 1997	(\$39.50)	(\$19.750)	(\$19.750)
FY 1998	(\$68.90)	(\$34.450)	(\$34.450)
FY 1999	(\$101.15)	(\$50.575)	(\$50.575)
FY 2000	(\$136.50)	(\$68.25)	(\$68.250)
* 5-yr Total	(\$358.800)	(\$179.400)	(\$179.400)

The amount of SGF money needed to whole schools and all other units harmless through FY 2000 would be about \$358.8 million.

I hope this information is useful to you. If you have any further questions, please let me know.

STATE GENERAL FUND PROFILE

In Millions

	Actual FY 1994	Current Est. FY 1995	Increase	8.4% Balance		7.5% Balance		7.5% Balance		7.5% Balance	
				FY 1996	Increase	FY 1997	Increase	FY 1998	Increase	FY 1999	Increase
Beginning Balance	\$384.9	\$454.4		\$406.8		\$292.3		\$268.0		\$277.7	
Receipts											
Consensus Est.	3,175.7	3,288.1 <sup>(a)</sup>	3.5%	3,409.3 <sup>(a)</sup>	3.7%	3,560.5 <sup>(b)</sup>	4.4%	3,743.1 <sup>(c)</sup>	5.1%	3,930.3 <sup>(d)</sup>	5.0%
Revenue Adjustment	--	--		(28.2) <sup>(e)</sup>		(29.3) <sup>(e)</sup>		(30.6) <sup>(e)</sup>		(31.8) <sup>(e)</sup>	
Accelerate Military Retirees Refund	--	--	--	(9.6) <sup>(f)</sup>		17.3 <sup>(f)</sup>		--		--	
Released Encumbrances	4.8			3,371.5		3,548.5		3,712.5		3,898.5	
Expenditures											
Gen. and Supp. School Aids	1,306.2	1,351.9 <sup>(g)</sup>	\$45.7	1,355.3 <sup>(g)</sup>	\$3.4	1,368.3 <sup>(g)</sup>	\$13.0	1,388.2 <sup>(g)</sup>	\$19.9	1,411.0 <sup>(g)</sup>	\$22.8
Demand Transfer To:											
SDCIF	7.1	11.5	4.4	16.5	5.0	20.5	4.0	22.5	2.0	24.0	1.5
SHF	79.1	81.5	2.4	84.5	3.0	87.5	3.0	90.1	2.6	92.8	2.7
LAVTRF	40.3	44.7	4.4	44.7	--	44.7	--	46.0	1.3	47.4	1.4
CCRSF	30.6	33.4	2.8	33.4	--	33.4	--	34.4	1.0	35.4	1.0
CCHF	9.7	10.0	0.3	10.0	--	10.0	--	10.3	0.3	10.6	0.3
WPF	5.8	5.9	0.1	5.9	--	5.9	--	6.0	0.1	6.0	--
State Fair	0.1	0.1	--	0.1	--	0.1	--	0.1	--	0.1	--
Motor Vehicle Tax Relief <sup>(i)</sup>	--	--	--	41.7	41.7	100.0	58.3	100.0	--	100.0	--
Net Base Adjustments <sup>(j)</sup>	--	--	--	88.3	88.3	88.3	--	88.3	--	88.3	--
All Other Expend.	1,632.1	1,796.7 <sup>(h)</sup>	164.6	1,805.6	8.9	1,814.1	8.5	1,916.9	102.8	2,069.2	152.3
Total	3,111.0	3,335.7	224.7	3,486.0	150.3	3,572.8	86.8	3,702.8	130.0	3,884.8	182.0
Percent Incr.	15.6%		7.2%		4.5%		2.5%		3.6%		4.9%
Ending Balance	454.4	406.8		292.3		268.0		277.7		291.4	
% of Expenditures	14.6%	12.2%		8.4%		7.5%		7.5%		7.5%	
Receipts in Excess of Expenditures	64.7	(47.6)		(114.5)		(24.3)		9.7		13.7	

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Demand Transfers

See footnotes on following page.

SDCIF -- School District Capital Improvements Fund

SHF -- State Highway Fund\*

LAVTRF -- Local Ad Valorem Tax Reduction Fund\*

CCRSF -- County-City Revenue Sharing Fund\*

CCHF -- City-County Highway Fund\*

WPF -- Water Plan Fund\*

\* Reductions of 4 percent in FY 1994. For FY 1995, the SHF, CCHF, and WPF transfers are capped at 3 percent over FY 1994 actual.

Notes: Estimated demand transfers for FY 1996 and FY 1997 are all frozen at FY 1995 levels with the exception of the SDCIF and the SHF. SDCIF reflects the latest estimates. The SHF is increased by \$3.0 million in FY 1996 and FY 1997. The LAVTRF, SHF, CCHF, and CCRSF in FYs 1998 and 1999 are modified to reflect a 3.0 percent increase above the previous year. All other demand transfers for FYs 1998 and 1999 reflect current law.

5-4  
FOOTNOTES:

- a) Consensus estimate as of 11/15/94.
- b) Based on an assumed growth rate of 4.75 percent (not a consensus estimate) for total taxes, adjusted for a further reduction in the severance tax rate on gas in FY 1997; interest earnings and transfers are the same as in FY 1996 while agency earnings are 3 percent above the estimate for FY 1996.
- c) Not a consensus estimate, agency earnings are 3 percent above the estimate for FY 1997; interest earnings are the same as in FY 1996 while transfers are adjusted for the final payment to military retirees in FY 1997.
- d) Not a consensus estimate.
- e) Reflects latest estimates to remove sales tax on labor services used in construction and on utilities consumed in production.
- f) Reflects acceleration of the last payment of the military retirees refund from FY 1997 to FY 1996, and utilizes the estimated remaining balance in the State Budget Stabilization Fund of \$7.7 million to finance part of the payment.
- g) Revised estimate as of 11/10/94 based on current law for FYs 1995-1998; KLRD projection for FY 1999 based on current law.
- h) Authorized by 1994 Legislature plus shifting from FY 1994. Does not include requests for supplemental appropriations or potential reductions of authorized expenditures.
- i) Amount necessary to hold local units of government (including local school districts) harmless for a reduction in the property tax on motor vehicles from 30 percent to 20 percent of assessed valuation effective January 1, 1996. For FYs 1998 and FY 1999 the amount of state assistance is capped at \$100 million.
- j) Net expenditures adjustments made beginning in FY 1996 to reflect financing of FY 1995 ongoing expenditures that were funded from one-time funding sources, annualization of certain FY 1995 expenditures, loss of certain SRS federal funds, and certain appropriations (FY 1996 for Hoch Auditorium and FY 1995 for one-time water purchase).

Prepared at the Request and Direction of Representative Tom Bradley  
Kansas Legislative Research Department  
January 16, 1995



STATE GENERAL FUND PROFILE

In Millions

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Revenue Adjustment	--	--	--	(28.2) <sup>(e)</sup>	--	(29.3) <sup>(e)</sup>	--	(30.6) <sup>(e)</sup>	--	(31.8) <sup>(e)</sup>	--
Accelerate Military Retirees Refund	--	--	--	(9.6) <sup>(f)</sup>	--	17.3 <sup>(f)</sup>	--	--	--	--	--
				3,371.5		3,548.5		3,712.5		3,898.5	
Released Encumbrances	4.8										
Expenditures											
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LAVTRF	40.3	44.7	4.4	46.9	2.2	48.4	1.5	50.2	1.8	52.3	2.1
Local Gov. Unit Hold Harmless <sup>(h)</sup>	--	--	--	12.8	12.8	39.6	26.8	69.0	29.4	101.2	32.2
CCRSF	30.6	33.4	2.8	33.4	--	34.4	1.0	35.4	1.0	36.5	1.1
CCHF	9.7	10.0	0.3	10.0	--	10.3	0.3	10.6	0.3	10.9	0.3
WPF	5.8	5.9	0.1	5.9	--	6.0	0.1	6.0	--	6.0	--
State Fair	0.1	0.1	--	0.1	--	0.1	--	0.1	--	0.1	--
Net Base Adjustments <sup>(i)</sup>	--	--	--	88.3	88.3	88.3	--	88.3	--	88.3	--
All Other Expend.	1,632.1	1,796.7 <sup>(h)</sup>	164.6	1,836.7	40.0	1,871.6	34.9	1,945.9	74.3	2,065.4	119.5
Total	3,111.0	3,335.7	224.7	3,487.4	151.7	3,571.5	84.1	3,702.7	131.2	3,884.8	182.1
Percent Incr.	15.6%		7.2%		4.5%		2.4%		3.7%		4.9%
Ending Balance	454.4	406.8		290.9		267.9		277.7		291.4	
% of Expenditures	14.6%	12.2%		8.3%		7.5%		7.5%		7.5%	
Receipts in Excess of Expenditures	64.7	(47.6)		(115.9)		(23.0)		9.8		13.7	

Demand Transfers

See footnotes on following page.

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CCHF -- City-County Highway Fund\*

WPF -- Water Plan Fund\*

\* Reductions of 4 percent in FY 1994. For FY 1995, the SHF, CCHF, and WPF transfers are capped at 3 percent over FY 1994 actual.

Notes: Estimated demand transfers for FY 1996 are all frozen at FY 1995 levels with the exception of the SDCIF and the LAVTRF. SDCIF reflects the latest estimates. The LAVTRF in FYs 1996, 1997, 1998, and 1999 reflects current law, modified to reflect the impact of removal of sales tax on labor services used in construction and on utilities consumed in production and a hold harmless amount for local units to reflect the phased lowering of the property tax on motor vehicles. For FYs 1997, 1998, and 1999 the SHF and CCRSF are also modified to reflect the impact of removal of sales tax on labor services used in construction and on utilities consumed in production and capped at a 3 percent increase above the prior year. The CCHF for FYs 1997 through 1999 is capped at a 3 percent increase above the prior year. All other demand transfers for FYs 1997, 1998, and 1999 reflect current law.

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5-6  
FOOTNOTES:

- a) Consensus estimate as of 11/15/94.
- b) Based on an assumed growth rate of 4.75 percent (not a consensus estimate) for total taxes, adjusted for a further reduction in the severance tax rate on gas in FY 1997; interest earnings and transfers are the same as in FY 1996 while agency earnings are 3 percent above the estimate for FY 1996.
- c) Not a consensus estimate, agency earnings are 3 percent above the estimate for FY 1997; interest earnings are the same as in FY 1996 while transfers are adjusted for the final payment to military retirees in FY 1997.
- d) Not a consensus estimate.
- e) Reflects latest estimates to remove sales tax on labor services used in construction and on utilities consumed in production.
- f) Reflects acceleration of the last payment of the military retirees refund from FY 1997 to FY 1996, and utilizes the estimated remaining balance in the State Budget Stabilization Fund of \$7.7 million to finance part of the payment.
- g) Revised estimate as of 11/10/94 based on current law for FYs 1995-1998; KLRD projection for FY 1999 based on current law.
- h) Authorized by 1994 Legislature plus shifting from FY 1994. Does not include requests for supplemental appropriations or potential reductions of authorized expenditures.
- i) Amount necessary to hold local units of government (including local school districts) harmless for phased reduction in the property tax on motor vehicles.
- j) Net expenditures adjustments made beginning in FY 1996 to reflect financing of FY 1995 ongoing expenditures that were funded from one-time funding sources, annualization of certain FY 1995 expenditures, loss of certain SRS federal funds, and certain appropriations (FY 1996 for Hoch Auditorium and FY 1995 for one-time water purchase).

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