

Approved: 3-26-96
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 9:05 a.m. on March 13, 1996 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
Shirley Sicilian, Department of Revenue
Ann McMorris, Committee Secretary

Conferees appearing before the committee:

Rep. Doug Lawrence
Bob Corkins, KCCI
Tim Kennedy, Kansas Taxpayers Network
Mayor Bob Knight, Wichita
Rep. Tom Sawyer
Tim Owens, City Council, Overland Park
Vic Miller, Shawnee County Commissioner
Gerald Cook, Salina Chamber of Commerce
Hal Hudson, NFIB
Gerry Ray, Johnson County
Karen France, Ks. Assn. of Realtors
Becky Allen-Bouska, Sedgwick County
Bill Fuller, Kansas Farm Bureau
Mark Tallman, Ks. Assn of School Boards
Chris McKenzie, League of Ks. Municipalities
Don Seifert, City of Olathe
Anne Spiess, Kansas Assn. of Counties
Tom Witsman, President, Wichita Area Chamber of Commerce

Others attending: See attached list

Chair opened hearing on:

HCR 5044 - Constitutional amendment limiting spending increases by the state, county and city governments

Proponents:

Rep. Doug Lawrence
Rep. Tom Sawyer (Attachment 1)
Bob Corkins, KCCI (Attachment 2)
Tim Kennedy, Kansas Taxpayers Network (Attachment 3)
Vic Miller, Shawnee County Commissioner(Attachment 4)
Hal Hudson, NFIB (Attachment 5)
Karen France, Ks. Assn. of Realtors (Attachment 6)
Bill Fuller, Kansas Farm Bureau (Attachment 7)

Neutral:

Tom Witsman, President, Wichita Area Chamber of Commerce (Attachment 8)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, ROOM 519-S Statehouse, at 9:00 a.m. on March 13, 1996.

Written testimony only

Roland E. Smith, Wichita Independent Business Assn. (Attachment 9)

Opponents:

Mayor Bob Knight, Wichita (Attachment 10)

Tim Owens, City Council, Overland Park (Attachment 11)

Gerald Cook, Salina Chamber of Commerce (Attachment 12)

Gerry Ray, Johnson County (Attachment 13)

Becky Allen-Bouska, Sedgwick County (Attachment 14)

Mark Tallman, Ks. Assn of School Boards (Attachment 15)

Chris McKenzie, League of Ks. Municipalities (Attachment 16)

Don Seifert, City of Olathe (Attachment 17)

Anne Spiess, Kansas Assn. of Counties (Attachment 18)

Written testimony only

Wes Holt, Kansas County Commissioners Assn (Attachment 19)

Roger Edgar, Shawnee (Attachment 20)

Brad Smoot, Greater Kansas City Chamber of Commerce (Attachment 21)

Due to lack of time for completion of hearing all the conferees, the committee recessed at 10:55 a.m. and reconvened at 12:30 p.m. to continue hearing testimony on HCR 5044.

Chair closed hearing on HCR 5044.

The next meeting is scheduled for March 14, 1996.

Adjournment at 1:15 p.m.

Attachments - 21

TAXATION COMMITTEE GUEST LIST

DATE: MARCH 13, 1996

NAME	REPRESENTING
DONALD SWODERASS	KANSAS FOOD DEALERS ASSN.
HAROLD P. FIS	KCCW
TIM KENNEDY	KS. TAXPAYERS NETWORK
Clare Gustin	Hays Chamber of Commerce
Ed Brungardt	Leadership Hays
Jennifer Owen	Overland Park Chamber of Commerce
Christy A Caldwell	Topeka Chamber of Comm.
Kris M. Wheeler	Junction Chamber of Commerce
Geoff Cook	Selma Area Chamber of Commerce
Bill Fuller	Kansas Farm Bureau
BERT CANTWELL	KCK C of C
Kim Maxwell	Emporia Chamber of Commerce
Donna Newkirk	Emporia Area Chamber of Commerce
John Campbell	Dodge City Chamber of Comm.
TOM RISON	LEWIS & CLARK CHAMBER OF COMM. BRCCB
Thomas C (Tim) Owens	Overland Park, KS
Jennifer L. Brandberry	City of Overland Park.
Anne Spiess	Ks. Assoc of Counties
BOB KNIGHT	WICHITA, KS.

Mike Taylor

City of Wichita

State of Kansas
House of Representatives

TOM SAWYER
House Democratic Leader



Topeka Address
State Capitol
Room 327-S
Topeka, Kansas 66612-1504
(913) 296-7630

Office of the Minority Leader

Dear Mr. Chairman and Members of the Committee:

I don't think there is any question that government spending, on all levels, needs to be put on a low-fat diet. I am pleased to be here this morning to express my support for HCR 5044, a solution that goes a long way toward achieving this goal.

A constitutional lid on state and local government spending that limits spending growth to the growth in Kansans' personal income is a reasonable approach to reining in government spending without crippling the essential services provided by state and local units of government.

The public is better served by a government that lives within its means. You do not buy what you can't afford and Kansas taxpayers should no longer be expected to pay for government spending they cannot afford.

It is essential the state become more prudent in our fiscal management. We must work toward those policies that promote a more accountable approach to the way government operates and more fiscal discipline.

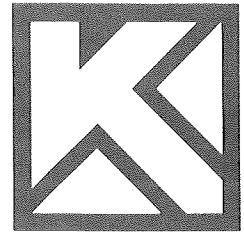
Long-range fiscal planning coupled with the fiscal restraint provided by a lid on state spending is the most prudent way for government to become more efficient in meeting the public's call for action while providing the answers to these two basic questions: is the money being spent wisely and is what we are spending affordable?

As I said, the state needs to go on a low-fat diet. One of the best ways to do this is to see that it doesn't gorge itself on Kansas taxpayers.

House Taxation
3-13-96
Attachment 1

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732
HCR 5044

March 13, 1996

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Committee on Taxation

by
Bob Corkins
Director of Taxation

Honorable Chair and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. KCCI truly appreciates this opportunity to present our case for the concept of government spending restraint contained in today's proposal. We introduced a very similar plan three years ago and are pleased to see the idea has gained momentum.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 46% of KCCI's members having less than 25 employees, and 77% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

This plan may be criticized by some, but the basic concept is summarized in three simple words: **ability to pay**. It is premised on the principle that government spending should not climb faster than Kansans' ability to pay for that spending. KCCI supports the plan, although we will

knowledge it is less than perfect, because it embraces this idea of a rational basis for government spending patterns.

The state provision within HCR 5044 is virtually identical to the proposal KCCI drafted in 1993. I mention this to highlight the substantial effort we undertook in crafting it. We assembled a bi-partisan task force of business leaders, school board representatives, former legislators, current legislators, and two former state secretaries of revenue. In summary, we spent months of research and internal negotiating in employing the expertise of everyone involved to arrive at this product.

We also commissioned a public opinion poll in 1993 which was performed by a prominent Kansas firm that specializes in this kind of work. It will probably surprise none on this committee that the poll showed enormous and broad-based public support for our idea to restrain state spending. The results of this poll were confirmed last week in a study conducted by Kansas State University. In fact, the KSU poll showed support for the spending lid has grown: 80.4% of Kansans now support a state constitutional amendment which would limit state spending growth to Kansans' personal income growth, while 77.4% of voting age Kansans approve of the same limit upon local governments.

Are more than three out of every four Kansans *wrong, misguided or unwitting* on this issue? Would this proposal be so contrary to *their* best judgment and *their* best interests that you would be justified in preventing a general public vote on the idea? Some have questioned KCCI's wisdom in endorsing the plan on behalf of the business community. They fear that taxpayer-financed economic growth will suffer if HCR 5044 is enacted. KCCI, to the contrary, firmly believes that the net benefit of this reasonable curtailment in the growth rate of government spending will be a boon to Kansas businesses and the citizens who are directly benefited by those businesses.

KCCI's belief in the business stimulus of this proposal has been persistent. Our driving concern is to bring stability to governments' taxing and spending practices...stability that encourages and enables businesses to make long term investments, to plan for expansion, to choose Kansas as a place for their operation, and to carry out their strategies for prosperity. Few people would defend

the state's tax climate as being stable over the last decade or more. Statewide reappraisal, property tax classification, return of the federal income tax "windfall", the largest state tax increase in Kansas' history, property tax relief which evaporates in less than four years, and extremely aggressive tax audit practices are just a few glaring examples of the turbulence.

It is certainly possible to make the case that higher government spending can cause economic growth. Tax incentives are not government "spending" programs, but there is clearly some stimulus to commerce by some direct government appropriations. But is this the path that the business community wants to emphasize, encourage and enlarge? Is this the kind of growth businesses prefer? KCCI's membership has repeatedly answered "No"...saying that government spending for this reason or for any other should not be allowed to eat up an ever growing percentage of its citizens' income.

Because the primary elements of this issue are state spending and personal income, I have also attached a few documents which show their historic relationship. These comparisons are intended to illustrate how overdue the reform of HCR 5044 is even if it were magically implemented tomorrow. However, they offer no insight into how lenient or egregious this measure would have been if it had been enacted earlier. The "base year" from which calculations are made will skew the results substantially. Furthermore, nobody can say with certainty how the earlier imposition of this restraint would have affected each year's spending outcome.

The part of HCR 5044 which differs from earlier proposals is its application to cities and counties. We support this expansion of the measure. Unfortunately, personal income is not a workable yardstick for local government spending although it is for our state government. This is now due to a shortcoming in the detail of statistical tracking. Sales tax growth prevailed as the next most preferred local index, but personal income growth would still be the default benchmark.

KCCI's support for the local restraint in HCR 5044 displays our belief that this should be an overriding philosophy of government in general. If it's a good policy for state government, it's also a

policy for local government. It's with this desire for consistency that KCCI now suggests two changes to HCR 5044:

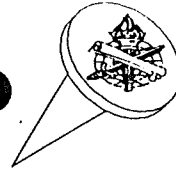
First, we believe the supermajority vote needed to opt out of the limitation should be the same for state and local governments. Each should be permitted to suspend the lid by a two-thirds vote of their governing body (currently, HCR 5044 requires a three-fourths local opt out vote). Second, and also relating to state/local opt out powers, KCCI believes such a supermajority vote should allow the government to raise its base level of spending. Particularly with state government, any reasons for seeking excess spending authority would probably concern money for an ongoing program. If the base level of spending is not raised through the opt out vote, a separate supermajority vote would be required in each year of the program's existence. Again, we feel state and local governments should be treated the same in this regard.

Another strong reason for governing the state and local units unlike concerns property tax relief. If Kansans are to get any property tax reduction, a local spending limit is needed to make that relief enduring (as opposed to the 1992 relief which has since evaporated). The limitation is needed at the state level in order to prevent large increases in sales and income taxes from negating the benefits of lower property taxes.

This proposal is not an irresponsible knee-jerk reaction to government growth. It would be the installation of an underlying management philosophy. It would permit reasonable spending growth, present no threat to any existing state program, and may actually grant stability to programs that annually battle for their existence. However, it would do so within a sensible and more predictable framework of overall restraint.

Businesses need governmental stability in order to grow. The business community and the public at large sincerely want this proposal to happen. We therefore urge your favorable action.

TAXPAYERS ALLIED TO CONTROL KANSAS SPENDING



For those who believe pushing TACKS is better than pushing tax.

TACKS Mission Statement

Taxpayers Allied to Control Kansas Spending is formed to achieve the enactment of the Taxpayer Protection Amendment (TPA) to the Kansas Constitution. The TPA is conceived to restrain the spending growth of Kansas state, city and county governments in a manner consistent with taxpayers' ability to pay for such spending: ideally a spending growth rate which does not exceed that of Kansans' aggregate personal income. Furthermore, the TPA would provide for the rebate to taxpayers of tax revenues which are collected in excess of government expenditures and prudent cash flow reserves. We believe the goals of Kansas economic growth, a more positive business climate and tax stability for all our citizens would be substantially enhanced by adoption of the TPA.

TACKS Steering Committee

Bob Corkins, Kansas Chamber of Commerce & Industry

Karen France, Kansas Realtors Association

Bill Fuller, Kansas Farm Bureau

Rep. Kent Glasscock, Manhattan

Hal Hudson, National Federation of Independent Business

Rep. Doug Lawrence, Burlington

Karl Peterjohn, Kansas Taxpayer Network

Rep. Tom Sawyer, Wichita

Rep. Tim Shallenburger, Baxter Springs

Ida Terry, United We Stand America

Please direct correspondence to TACKS Coordinator Bob Corkins
835 S.W. Topeka Blvd., Topeka, Kansas 66612-1671
Phone (913) 357-6321, Fax (913) 357-4732

TAXPAYERS ALLIED TO CONTROL KANSAS SPENDING



For those who believe pushing TACKS is better than pushing tax.

	SGF		TPI			
	(\$ Millions)	% Growth	(\$ Millions)	% Growth		% LIMIT
FY79	967	0	18,457	0	CY78	
FY80	1,114	15.14%	21,275	15.27%	CY79	
FY81	1,266	13.66%	23,297	9.50%	CY80	11.97%
FY82	1,342	6.03%	26,314	12.95%	CY81	12.03%
FY83	1,414	5.37%	28,238	7.31%	CY82	12.57%
FY84	1,518	7.36%	29,453	4.30%	CY83	9.92%
FY85	1,655	9.02%	31,794	7.95%	CY84	8.19%
FY86	1,770	6.97%	33,615	5.73%	CY85	6.52%
FY87	1,769	-0.10%	35,210	4.74%	CY86	5.99%
FY88	1,921	8.60%	36,727	4.31%	CY87	6.14%
FY89	2,160	12.45%	38,778	5.58%	CY88	4.93%
FY90	2,400	11.13%	40,553	4.58%	CY89	4.88%
FY91	2,495	3.97%	43,763	7.92%	CY90	4.82%
FY92	2,491	-0.17%	45,476	3.91%	CY91	6.03%
FY93	2,690	7.98%	48,368	6.36%	CY92	5.47%
FY94	3,111	15.65%	50,319	4.03%	CY93	6.06%
FY95	3,310	6.39%	53,370	6.06%	CY94	4.77%
FY96	3,491	5.46%				5.49%

"% LIMIT" is an average of the Total Personal Income (TPI) growth rates for the three most recently completed calendar years.

For example: Because the FY81 budget was produced in the 1980 Legislative Session, this proposal would have averaged the TPI growth rates for CY77, CY78 and CY79.

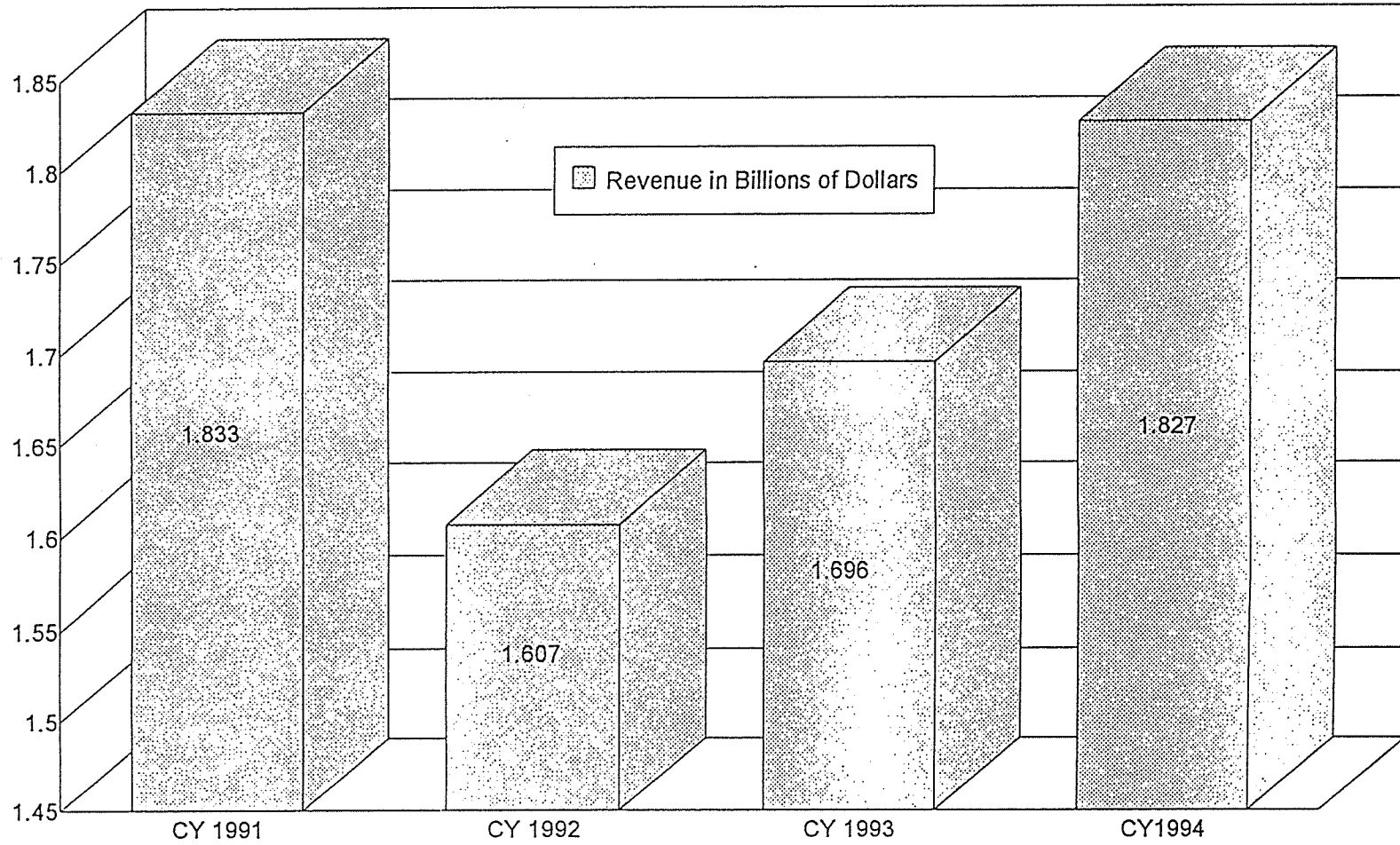
CY77 over CY76 = 9.32%
CY78 over CY77 = 11.31%
CY79 over CY78 = 15.27%



Sum of three percentages,
divided by three = 11.97%
(max growth allowed for FY81 spending)

Please direct correspondence to TACKS Coordinator Bob Corkins
835 S.W. Topeka Blvd., Topeka, Kansas 66612-1671
Phone (913) 357-6321, Fax (913) 357-4732

Total Property Tax of All Taxing Districts



Source: Kansas Legislative Research

KANSAS TAXPAYERS NETWORK

P.O. Box 20050
Wichita, KS 67208

316-684-0082
FAX 316-684-7527

Testimony in Support of HCR 5044 By Tim Kennedy

Last year the Executive Director of the Kansas Taxpayers Network, Karl Peterjohn, testified in support of a similar constitutional amendment. Today, I am here to repeat that support for an amendment which would limit state and local spending growth in Kansas to the growth in personal income.

As recent polls have indicated, this is a very popular concept. Yet popularity is secondary to the positive impact this legislation would have upon enactment. HCR 5044 would allow Kansas to catch up to neighboring states which enacted similar lids years ago. This is important legislation for Kansans who have repeatedly seen government taking a bigger chunk of their personal income.

HCR 5044 provisions for a state spending lid are improved over the legislation considered by this committee last year. We strongly approve of the fact that this legislation keeps the requirement for a 2/3 majority in both houses to exceed the state spending lid. This committee added that provision to last year's spending lid proposal.

We also strongly approve of limiting state spending growth to the increase in personal income minus one percent. This is a significant change and taxpayers will see this as an improvement.

Another improvement is the taxpayer dividend feature. This is a very strong positive addition. Any increase in revenue which exceeds the 7.5 percent ending balance surplus must be returned to Kansas taxpayers. We strongly approve of this approach and look forward to this committee spending its time working on state tax cuts.

The fact that this legislation covers both operational and capital spending is a positive feature too. Trying to artificially separate these two types of government spending would be a major mistake. This could be used to open a major loophole to this spending lid. The current language in HCR 5044 is the right sort of approach to this issue.

The local government spending lid portion of HCR 5044 is weaker than last year's proposal, HCR 5023, as originally introduced. The requirement for a 3/4 vote by the local governing body to exceed the spending lid for one year is weaker than last year's unanimous requirement. KTN prefers the stronger language since the numerous local exceptions were added to address local government concerns on how to exceed this limit.

This limit is extremely generous to local spending growth in last year's as well as this year's proposal. Local spending can grow by the amount state spending increases plus

the growth or the increase in sales tax revenue in the county where the local government is located. There are also six separate exceptions of local government funds (Section (3) A-to-F) including mandates from the federal government or federal mandates administered by the state government.

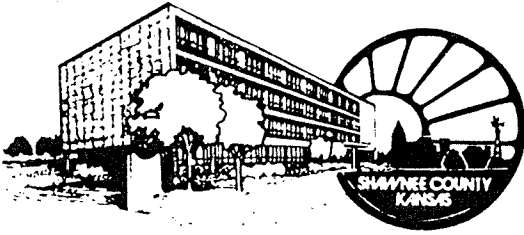
Local government bodies would have a much easier time exceeding this spending lid than the state. Local governments could exceed the spending lid by 3/4 votes from their governing bodies with the possibility of a protest petition or a simple majority of the governing body. The lid could be exceeded for up to four years.

This proposal makes it harder for a local protest petition over increased spending than HCR 5023. This amendment calls for a protest petition of 10 percent of votes cast at the last local election collected over a 60 day time period. Last year's amendment called for 5 percent petition. We strongly support lowering this petition amount.

In Missouri and Colorado the votes to exceed their lids on local government all are automatic. No petitioning is required in either state. This is an important point where KTN urges this committee to strengthen this legislation.

In the past the issue of Home Rule is repeatedly brought up. In closing this legislation is the essence of home rule. We define home rule as the decisions of Kansas citizens expressed at their most local level of government. After enactment, this amendment will strengthen the ability of the average Kansan to be able to participate and influence the actions of government in his or her own community.

This will achieve the goals of restraining but not stopping government spending growth. This will empower Kansas citizens and provide them with additional ability to participate in government at all levels in this state. This will help make Kansas more competitive economically with our neighbors. This legislation is long overdue. KTN strongly urges this committee's support for a meaningful constitutional spending lid. HCR 5044 is a good amendment which can be made better with the changes outlined in this testimony. Thank you for the opportunity to testify.



Shawnee County Board of Commissioners

Rm. B-11, Courthouse Topeka, Kansas 66603-3933
(913) 233-8200 ext. 4040

Winifred Kingman, 1st district

Vic Miller, 2nd district

Don Cooper, 3rd district

March 13, 1996

Mr. Chairman and Members of the Committee:

I am Vic Miller, Shawnee County Commissioner. Today, I appear not only on my own behalf but on behalf of the entire Shawnee County Commission and 23 other commissioner colleagues around the State.

Each has signed the enclosed statement.

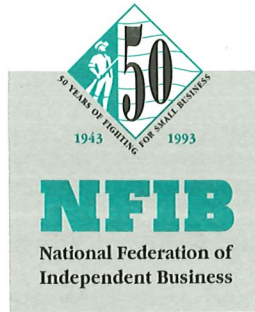
House Taxation
3-13-96
Attachment 4-1

We do not support the Kansas Association of Counties (KAC) position opposing "any spending lid or limitation on expenditures of local government."

We believe reasonable restraint on government spending is both good government and consistent with the opinions of a vast majority of our county citizens.

**Neal Parrish
Leon White
Ron Roberts
Adelbert Armstrong
M. Paul Jones
Dennis Maddox
Jane C.W. Brubaker
Dana Foley
William Fuhrman
Virgil Smith
John Grau
Dorothy J. Lewis
Jerry A. Harter
Charles DeForest
Linda Peterson
Joe Scamney
Harold F. Butler
Ray E. Caldwell
Richard Carlson
James M. Minnix
Jack D. Frick
Stanley R. Salmans
Don Cooper
Vic Miller
Winnie Kingman
Verdis Robinson**

**Butler County Commissioner
Butler County Commissioner
Butler County Commissioner
Chase County Commissioner
Chase County Commissioner
Chase County Commissioner
Cheyenne County Commissioner
Doniphan County Commissioner
Doniphan County Commissioner
Doniphan County Commissioner
Jackson County Commissioner
Jackson County Commissioner
Jackson County Commissioner
Marion County Commissioner
Marion County Commissioner
Montgomery County Commissioner
Montgomery County Commissioner
Montgomery County Commissioner
Pottawatomie County Commissioner
Scott County Commissioner
Scott County Commissioner
Scott County Commissioner
Shawnee County Commissioner
Shawnee County Commissioner
Shawnee County Commissioner
Wyandotte County Commissioner**



**Testimony of Hal Hudson, State Director
Kansas Chapter of the National Federation of Independent Business
Before the House Committee on Taxation
on HCR 5044
Wednesday, March 13, 1996**

Mr. Chairman and Members of the Committee: my name is Hal Hudson. I am State Director for the 8,000-member Kansas Chapter of the National Federation of Independent Business.

I am here to support enactment of HCR 5044. Since this proposal is a Constitutional amendment, all we are asking is that you give the voters of Kansas the opportunity to express their views on limiting state and local government spending.

This proposal has been called a spending lid. I believe that is a misnomer. If adopted by the voters, HCR 5044 would not cap government spending at any pre-determined level. HCR 5044 calls for a floating level of spending, which would allow increases in spending every year, provided the benchmark - that is the income of Kansas taxpayers - increases.

Equally important for local bodies, who seem most opposed to this concept, is the ease with which they can opt out from under the proposed controls. If the presumed need to increase spending is not unanimously approved by the local governing body, or is rejected by the local taxpayers, how urgent was the need?

The controls provided by HCR 5044 are both fair and reasonable - and are urgently needed, if other property tax proposals before you are to move forward. We all have seen how property taxes have risen to exceed their pre-1992 level, when the State-levied 35-mill tax brought only temporary property tax relief.

It also is easy to see how the tax lid - sometimes called the tax sieve because of its many loopholes - does not work. This is especially true in areas where growth is taking place, and property valuations are increasing.

House Taxation
3-13-96
Attachment 5-1

Small and independent business owners are the backbone of the Kansas economy. On behalf of the 8,000 of them who are NFIB members, I urge you to consider their plight, as you consider this and other property tax proposals. Remember, property taxes - unlike sales and income taxes - bear no relevance to the ability of a business to pay.

If a small business is growing and generating more net income, state and federal income taxes will increase. But, if the business owner invests the maximum amount of profit available to purchase land, buildings, machinery or equipment, enabling the business to support more employees, property taxes will go up. The increased property taxes are not based on a uniform and equal assessment, but at a rate, under classification, which is punitive, because the property is commercial.

You can help these small businesses, not only stay in business, but also to grow, creating new jobs to bolster the Kansas economy. You can help by enacting HCR 5044 to slow the growth in government spending, and, thereby slow the increases in property taxes.

We urge you to report HCR 5044 favorable for passage, and to support its enactment by the House of Representatives.



Kansas Association of REALTORS®

75 years



TO: HOUSE TAXATION COMMITTEE
FROM: KAREN FRANCE, DIRECTOR, GOVERNMENTAL AFFAIRS
DATE: MARCH 13, 1996
SUBJECT: GOVERNMENT SPENDING LIMITS, HCR 5044

Thank you for the opportunity to testify. On behalf of the Kansas Association of REALTORS®, I appear today to support the Government Spending Lid presented in HCR 5044.

The Kansas Association of REALTORS® has supported this concept in the past and feels that this government spending limitation amendment is an idea whose time has come. Such an amendment serves three important purposes.

First, this amendment can eventually eliminate the need for local tax lids. It restricts spending by local units of government without the utilization of any "loopholes" or exemptions. It is a straightforward way of limiting spending which would be in place from year to year, without having the property tax "sieve" discussions which have become an annual event. Such a spending limitation for all levels of government takes away the complaint made by local governments that the legislature is advocating spending limits for local units of government without limiting state budgets.

Second, this amendment brings both fiscal responsibility and flexibility to the government budget making process. Because the growth of government costs would be predictable from year to year, governments can establish long term planning methods, within the parameters of the cost limitations.

The logical fallout of this amendment would be that local units could be given legislative authority for alternative taxes, including voter approved: additional sales tax authority, earnings tax authority or income tax surcharges. They could then alter their tax mix, as long as the total amount spent did not increase above the limits provided by the amendment. By the same token, the state could change the current tax mix between income tax, sales tax, property tax etc., as long as the total amount spent did not increase above the spending limits for the year. Meanwhile, the tax base for all units of government could grow at or below the same rate as personal income grows.

The amendment provides for methods by which both the state and local governments can handle emergencies if they arise. We believe that these provisions give enough flexibility to handle concerns about "bad years" or falling on "bad times".

House Taxation
3-13-96
Attachment 6-1



75 Third, this amendment would answer the demand of voters in that government become more efficient and responsive. Taxpayers ask over and over, "Why can't government be run like a business?". While we know it cannot be completely run like a business, a spending limitation would force the government to live within its means. A business cannot continually raise its prices in order to cover increased costs. The market prevents it. Thus businesses must continually look to keeping their costs in line if they are to survive in the market place. A spending lid amendment would be the equivalent of the "market place" competition for government. It would put a limit on the expense side of the balance sheet, thus providing the "incentive" to keep costs in line. Government would have to prioritize its services in order to deliver the best product for the best prices.

In summary, we believe this amendment provides many answers to questions which plague the legislature on an annual basis. We believe such an amendment would help return confidence to government without placing unreasonable restrictions on the hands of government officials. We believe the people would strongly support such an amendment if given the chance to vote. We ask that you give them that chance.

6-2



PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON TAXATION

**RE: HCR 5044 - Constitutional Amendment Limiting
Spending Increases By State, County and City
Governments.**

**March 13, 1996
Topeka, Kansas**

**Prepared By:
Bill R. Fuller, Associate Director
Public Affairs Director
Kansas Farm Bureau**

Chairman Kline and members of the Committee:

We believe limiting the growth of government spending is good public policy and is supported by most Kansas taxpayers.

My name is Bill Fuller. I am the Associate Director of the Public Affairs Division for Kansas Farm Bureau. We express support for HCR 5044 which is a Constitutional amendment that limits spending increases by state, county and city governments. Our support is based upon policy adopted by the 411 Voting Delegates representing the 105 county Farm Bureaus at the 77th Annual Meeting of Kansas Farm Bureau.

The KFB resolution on "State and Local Governmental Budgeting, Spending and Taxation" includes these provisions:

- *We firmly believe government spending should not rise faster than the increase in personal income for Kansas citizens and taxpayers.*
- *Kansas should have appropriate statutory and constitutional provisions to assure:*

- 1. Limitations on State General Fund appropriations;*
- 2. Establishment of a state reserve fund for emergencies;*
- 3. Taxation and expenditure limitations on local units of government, including Unified School Districts; and*
- 4. A prohibition of the imposition of unfunded state mandates on local units of government.*

- *It is important to establish a spending lid on local units of government at the same time as, or even before the state increases its sales and/or income taxes to replace property tax revenues*

We believe the concept in HCR 5044 is simple and fair:

Government spending should not increase at a rate higher than the increase in personal incomes of the citizens paying the taxes.

We see a strong linkage between HCR 5044 and any attempt to phase-out or buy-down property taxes. History demonstrates the need for a spending lid on government. The School Finance Law approved in 1992 reduced property taxes statewide by \$170 million. The tax shift was achieved by increasing personal and corporate income tax rates, increasing the state sales tax rate and repealing several sales tax exemptions. Unfortunately, the property tax relief

quickly disappeared as state and local units of government continued their old spending habits (see attachment A).

There is substantial public support for government spending lids. Results of the 1995 Policy Development Questionnaire developed and distributed by the KFB Resolutions Committee indicated 90 percent of our membership supported the establishment of spending lids on both state and local governments. More recently, the 1996 Kansas Poll conducted by KSU Feb. 5-22, 1996 with 687 Kansans favored a Constitutional cap on government spending:

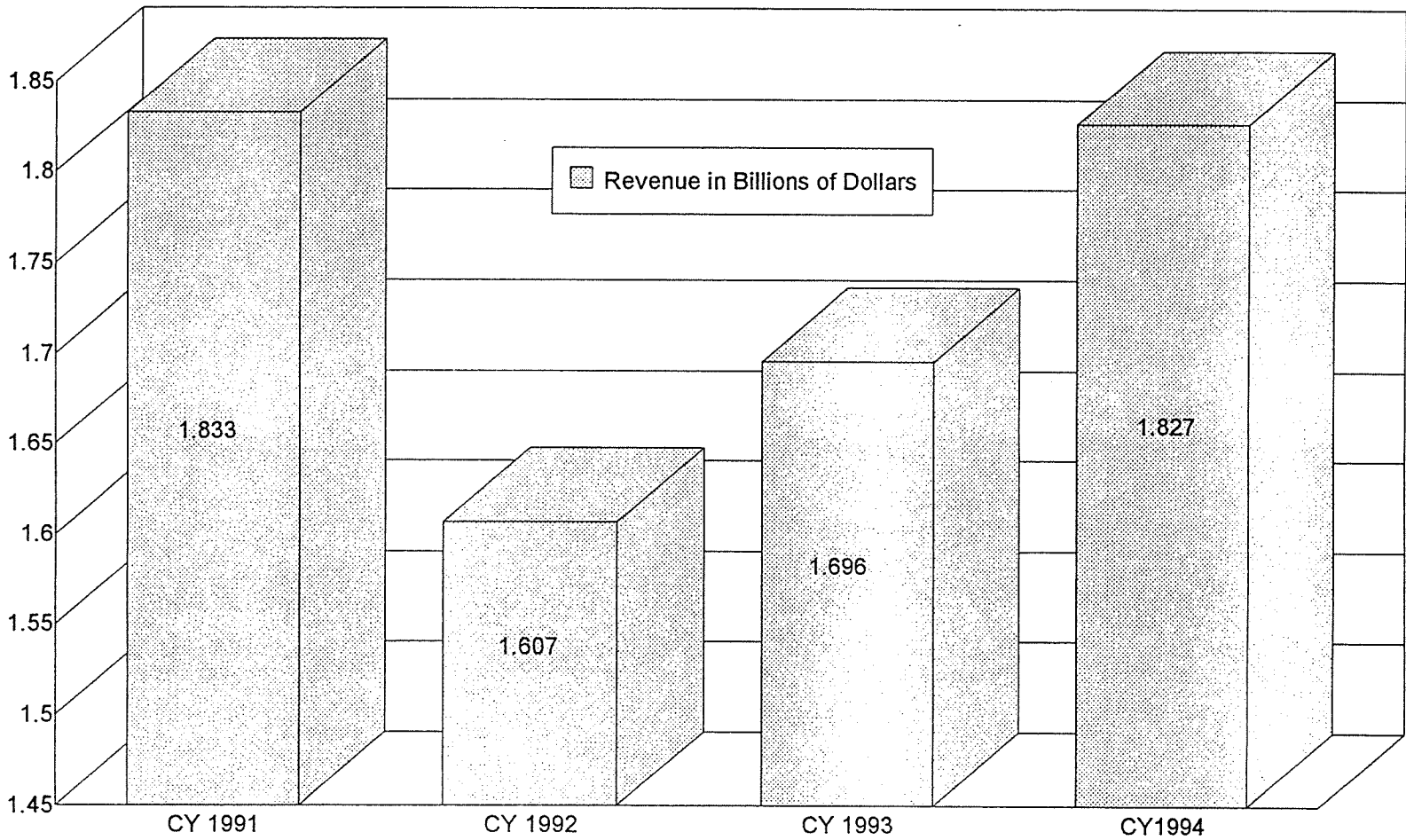
- State Government.....80%
- Local Government.....77%

In this 1996 Session, we applaud the Governor for a tight budget and the Legislature for frugal appropriations. Some might ask, why at this time is there a need for establishing spending lids? We suggest now is the time! It is important to have the Constitutional spending limits in place to be prepared for future Legislatures and Governors who may have more liberal spending philosophies.

In closing, we respectfully ask you to approve HCR 5044.

Thank You!

Total Property Tax of All Taxing Districts



Source: Kansas Legislative Research

Testimony on HCR 5044
F. Tim Witsman
Wichita Area Chamber of Commerce
March 13, 1996
House Tax Committee

Chairperson Kline, members of the committee, I am Tim Witsman, president of the Wichita Area Chamber of Commerce. Thank you for the opportunity to testify today.

In 1993, I researched tax and spending limits on state governments. Much of the data I used came from NCSL. That research led me to four conclusions. The recent history of state spending shows several years of modest increases interspersed with very large increases associated with a tax increase or, in one case, a windfall from changes in Federal taxes. While state spending increases were modest in most years, it rose 8.7% for 1985, 9.3% for 1988, 9.1% for 1993 and 16.7% for 1994. More telling is the fact that, while Kansas personal income grew at an average annual rate per capita of 5.22% from 1981 to 1991, state spending grew at a 6.74% annual rate for the same period. That may not appear to be a great difference, but one and a half percent per year for ten years is a huge increase in the state's share of the economic pie.

Second, specific tax limits caused the state to search for revenues elsewhere, sometimes causing barriers to growth by placing high fee barriers in the way of development. Third, spending limits which were not part of the constitution of the state had no impact on the growth in spending. An appropriation of the legislature has the same status as a bill limiting expenditures. Courts have ruled that appropriations in excess of a statutory limit take precedence over the limit.

Fourth, where there were no limits, state spending had increased as a percentage of state personal income; where there were constitutional limits on spending state spending had slightly declined as a share of state income. States without limitations increased their share of personal income by 3.6% between 1979 and 1987 from 5.7% to 5.91%. States with limitations reduced state expenditures as a percentage of personal income by 1.6% from 5.5% to 5.41%. While the differences appear small, those states without limitations were taking an additional one-half per cent of personal income at the end of the period than those with limitations.

I then worked with KCCI which formed a task force to look at a state spending limit. I was a member of that task force. We looked at the experience of our neighboring states. It was clear that we wanted to avoid the mistakes made by Missouri and Colorado where initiatives had made it impossible for the state to carry out comprehensive highway improvements without a vote of the people.

Please permit me to explain. The Colorado State Chamber had proposed a state spending limit, but not the one which was passed by the voters. Their proposal excluded capital spending, including highways, from the limitation. Chambers of Commerce are not tax protest groups. We are builders of the economy and our communities, not defenders of current assets. We distinguish between operating and capital spending which pure anti-tax groups do not. Operating spending once spent is gone. There is little if any residual benefit. That is one reason the Federal deficit is so wrong and bad. The debt does not represent an investment in the future, but is very like credit card debt for living beyond one's means.

Debt for capital investments is generally positive if used prudently. When debt is used to construct a highway, it produces an asset that should last as long as the term of the debt. It is used by future taxpayers, in contrast to Federal taxpayers who will pay for services used by their parents. Allow me to give two illustrations of business' view of capital investments. In the early 1870's, business people in Wichita called on the County Commission to sell \$200,000 in bonds to bring the railroad down from Newton. Without that expenditure Wichita would not have grown to its current size. Does business practice what it preaches? According to Commerce Bank, capital investment in equipment by U.S. companies was five times greater in 1995 than in 1992. No one, not a company nor an individual, ever got rich by not investing. For over twenty years this state let its transportation system stagnate; and we paid a price in lower growth.

Today the Kansas economy is not the one most Kansas adults grew up with. According to data from the Center for Economic Development and Business Research at Wichita State University, 84% of the job growth in Kansas between 1989 and 1993 came from exports. That left only 13,000 new non-export jobs. But since government grew by 18,000, the non-export side of the private sector lost 5,000 jobs. Take away the construction jobs created by the comprehensive highway program, and the losses would have exceeded 10,000. The economic contest is now global. A state which cannot move its goods efficiently will not successfully compete in the emerging world market. Kansas is particularly sensitive to the global market because we are a manufacturing and agriculture state. We are too small a state to thrive simply by selling to each other. We must export to the world to thrive.

The same issues I have outlined for state capital spending hold true for local government as well. In Sedgwick County we have taxed ourselves to build local streets and highways. To those who say go to the people for every project, I would point to the schools as a glaring example of how not to structure capital financing. Our largest district built over 90% of its schools before 1959. Why? The requirement to bring every bond issue to a public vote makes the board fearful of proposing capital projects. As a result, they tend to wait too long and then have to do either too little, too late, or propose large debt issuances.

Examine the difference between what cities and counties can currently do and what the schools must do. The cities and counties can plan infrastructure improvements in five-year increments and sell bonds each year. Because some debt is being retired each year, there is room for new debt without having the taxpayer feel an increase. But when issues are few and far between, each issue causes a tax increase which both the individual and companies feel immediately. I

do not believe that any fair-minded person could conclude that the capital planning for schools in Kansas is as well thought out as the capital planning of cities and counties.

We have supported, and continue to support, a property tax lid on local governments, but cannot support a limitation which takes the tools from our hands to generate growth. We support a limit on state operating spending. But if passing a constitutional amendment means that, for example, southern Kansas is doomed to compete with its current road system, we must say, "No, thank you."



WICHITA INDEPENDENT BUSINESS ASSOCIATION

Riverview Plaza Suite 103 • 2604 W. 9th St. N. • Wichita, Kansas 67203-4794
(316) 943-2565 FAX (316) 943-7631 1-800-279-WIBA or 1-800-279-9422

ROLAND E. SMITH, *Executive Director*

1996 WIBA OFFICERS

Ron Emmons
President
Wich-Craft L.L.B.

Charles Schaefer
1st Vice President
United Warehouse Co.

Albert Denny
2nd Vice President
Reglar Carr & Monroe, CPAs

Oreg Balver
Treasurer
Peterson Peterson & Goss

Toby Brown
Secretary
Direct Mail Printers

Gary Ackerman
Immediate Past President
Mid-America Building Maintenance

1996 WIBA BOARD OF DIRECTORS

Gary C. Ackerman
Mid-America Building Maintenance

Jon Balrd
Excel Manufacturing, Inc.

Gary Blakham
Claude Federal Bldg

Roger Bowlsby
Thermal Trade, Inc.

Toby Brown
Direct Mail Printers, Inc.

Bob Bundy
J. P. Weigand & Sons, Inc.

Phyllis Connelly
Invera Bank

Yale Cook
Yale's Hallmark Cards & Gifts

Stark Cunningham
PC Business Services

Larry Dean
Landmark Communications, Inc.

Bert Denny
Reglar Carr & Monroe, CPAs

W. J. Easton, Jr.
The Easton Manufacturing Co., Inc.

Ron Emmons
Wich-Craft L.L.B.

Pat Finn
Finn & Associates

Gene Foster
Foster Design Co., Inc.

Ron Gessel
Della Dental of Kansas, Inc.

David Hawkins
Insurance Management Associates, Inc.

Lennie Hachnar
Hachnar TV and Electronics

Ray Hinderliter
Power Chemicals, Inc.

Glenn Holmes
Holmes & Associates

Doug Jenkins
Professional Software, Inc.

George Johnson
Detroit, Inc.

Vern Keamer
North Star Consulting

Leon Lutzgrite
Sheds Docile, Inc.

Frank Mazzia
A & N Consulting

Gary D. Matuszak
Classic Ceiling Care Corp.

Marie Poelton
Rickman Machine Company

Howard Redburn
General Detroit Diesel-Allison

Charles Schaefer
United Warehouse Co.

Pete Schrepferman
Johnstone Supply

Oreg B. Sevier
Peterson, Peterson & Goss

Jacob Shaffer
McDermick Armstrong Co., Inc.

Terry Shinkle
Bethaven Mortuary & Cemetery

Bob Sudbury
Sudbury Transportation

James Waldon
Mackel & Associates

Ron Yarrow
Dulaney, Johnston & Prier

March 11, 1996

STATEMENT TO: Chairman Phill Kline and Members of the House Taxation Committee.

FROM: Roland E. Smith, WIBA Executive Director

SUBJECT: A statement in support of HCR 5044 and HB 2908.

Unfortunately, I am unable to be in Topeka on Wednesday and Thursday of this week when you are holding hearings on HCR 5044 and HB 2908.

WIBA is on record of supporting HCR 5044 that limits growth in both state and local government. In fact, WIBA would like to see it even stronger than the current language. It is essential that local and state government growth be at least capped at some reasonable level in relation to the taxpayers ability to pay. It would be more desirable for both local and state government spending to be reduced. We applaud the Governor for his reduction in budget from last year. It is essential also that the local government remain included or the state will push more down to the local level and resulting in more increased taxes.

WIBA supports HB 2908 to eliminate the 35 mills for school finance and be replaced with the growth in state income over the next nine years. There must be, however, a way to keep other local government taxing units from picking up the savings by increasing their mill levies. HCR 5044 will help in that area.

THANK YOU! for considering this legislation and we encourage you to pass both out of committee favorable for passage and support both with your vote in the House.

**Testimony for the Kansas Legislature
House Committee on Taxation**

Regarding HCR 5044

March 13, 1996

By

Mayor Bob Knight, City of Wichita

The City of Wichita opposes HCR 5044 as it is now written. Imposing a Constitutional spending lid on the cities of Kansas will cripple the efforts of local elected leaders and citizens to improve the quality of life in our neighborhoods and solve the problems in our own backyards.

City and State government need to be partners which trust and work with each other. You have been elected to the Legislature and are best prepared to deal with state issues. As Mayor, I am elected and best prepared to deal with local issues. We are all expected to be good stewards of the public trust and tax dollars. If we are not, the citizens who give us that privilege will take it away.

I just returned from Washington where much of the talk at the federal level is about "de-volution." More and more responsibility will be shifted from Washington the state and city governments so the people closest to the problems can best decide how to solve them. A state mandated spending lid on cities flies in the face of that change. You as state lawmakers have opposed federal mandates. You don't want Congress telling you how to run Kansas, then impose rigid rules which tie your hands and usurp the authority and judgement entrusted to you by the voters. The very same is true in the relationship between state and city government.

I urge you not to impose a spending lid of any kind on Kansas cities and towns.

Thank you for your time and consideration.

LEGISLATIVE TESTIMONY

TO: HOUSE TAXATION COMMITTEE

FROM: Tim Owens,
City Council Member, City of Overland Park

RE: HCR 5044

DATE: March 13, 1996

Thank you for allowing me the opportunity to address the committee on HCR 5044. My name is Tim Owens, member of the Overland Park City Council for the past 16 years and currently serve as Chairman of the Finance and Administration, Economic Development Committee. I have been re-elected by the citizens of Overland Park three times, in 1985, 1989 and in 1993. I come before you today on behalf of the City of Overland Park in opposition to HCR 5044 which imposes a constitutional lid on local government spending. This proposed lid would restrict a local government's ability to increase expenditures by more than the annual percentage growth in personal income of Kansans for the three previous years or (for cities and counties only) the three-year average state sales and use tax collections from the county in which a city is located.

The City of Overland Park opposes this legislation based on several key points critical to local government service delivery; 1) there is no documented need for a local government spending lid; 2) the lid would require excessive special elections on simple bond proposals 3) this legislation is counter to everything home rule represents and that which was voted into law by Kansas citizens.

The city of Overland Park is a growing and vibrant city in Kansas. In 1970 the cities population was 78,000, in 1980 Overland park's population was 82,000, in 1990 the city had grown to 112,000 and in 1996 we estimate the population of Overland Park to be 135,000. We believe we have responded to growth efficiently and very effectively. Overland Park has

the lowest property taxes of any First Class city in Kansas, and the lowest property taxes in Johnson county. We have for decades demonstrated that as a city we can control local spending while simultaneously address the needs of a growing city. For example, the city recently completed a public/private partnership bringing Nordstrom's, a nationally renowned retailer to Oak Park Mall. This major redevelopment project will ensure economic stability in an older area of the city and provide hundreds of new jobs. If HCR 5044 became law, the City of Overland Parks' ability to continue to bring projects like Nordstrom's that will generate millions of new tax revenues for the state of Kansas would be severely impaired. To put it simply, this legislation would tie our hands and prohibit flexibility in economic development opportunities.

Another example of how the City of Overland Park has dealt with the challenges of rapid growth but not substantially raised taxes is how we have responded to the needs and concerns of our citizens in the area of public safety. Since 1991 the City of Overland Park has allocated 55% of all new full time city employees to the police department.

Finally, I would like to ask the committee to examine the information brought to you in support of this legislation carefully, as we believe that there has never been much documentation of the need to impose a constitutional spending lid. We also would like to remind the committee that this legislation will fly directly into the face of what the citizens of Kansas voted on when they adopted constitutional "Home Rule".

In order for Overland Park to continue to address the needs and concerns of its citizens, we must maintain the ability to locally control and operate our budgeting process. Please vote no on HCR 5044.

Moody's **Municipal** Credit Report

Overland Park, Kansas

October 14, 1994

	New Issue	General Obligation/Special Tax
sale:	\$8,430,000	\$7,530,000 General Obligation Internal Improvement Bonds, Series 1994-B \$ 900,000 General Obligation Federally Taxable Internal Improvement Bonds, Series 1994-A
date:	For bids October 17	

Moody's rating: Aaa

credit comment: The **Aaa** rating assigned to the general obligation debt of the City of Overland Park is confirmed. Highest quality security is provided by the following credit factors:

Hub of Johnson County with Strong Wealth Levels

Overland Park serves as the economic center of Johnson County, the most affluent segment of the Kansas City metropolitan area. The city exhibits considerable economic vitality and stability, as reflected by strong commercial and residential development patterns and consistently low unemployment rates. Additionally, the city's socioeconomic profile is highly favorable.

Strong Financial Operations Reflect Conservative Budgeting

Conservative revenue projections and demonstrated expenditure control have produced a trend of sound financial operations characterized by ample available balances in both operating and capital funds. Sales tax receipts, the city's largest source of revenue, continue to grow steadily, with collections annually exceeding anticipated levels. The city continues to maintain a relatively low property tax rate, affording it considerable revenue generating capacity under the state's levy lid.

Low Direct Debt, Consistent Use of Pay-As-You-Go Policy

Direct debt levels remain low despite the city's growth, and future borrowing plans are likewise modest relative to the breadth of resources available to pay debt service. The city's capital improvement program contains a substantial pay-as you-go component, which has historically been funded by transfers from the General Fund, and has reduced borrowing needs. The city expects to borrow an additional \$5.5 million of general obligation debt in the Fall of 1995.

Limited Impact Expected From Court Challenge to Payment Mechanism for Main Thoroughfare Construction

Court challenges to the city's use of special assessments to finance main thoroughfare construction are pending. City officials expect that an adverse decision will impact only future use of special assessments, and will not be retroactive. A recent district court decision, concerning the use of impact fees to finance main thoroughfares, was decided in favor of the city. Appeals are currently pending in the Kansas State Supreme Court. Regardless of the outcome, the financial impact on the city is expected to be modest, according to city officials.



11-2

Overland Park, Kansas

key facts:	Per Capita Income, 1989,	1993 Sources of Revenue,
	City: \$21,214	Sales Tax: 40.7%
	State: \$13,300	Property Tax: 23.7%
	1989 per Capita Income as % of State: 159.5%	Average Annual Increase in Sales Tax Revenue, FY 1989-93: 7.4%
	1990 Owner Occupied Median Value as % of State: 182.6%	Debt Burden: 3.7%
	Population Growth, 1980-90: 36.7%	Median: 3.0%
	Average Annual Growth F.V., 1989-93: 6.6%	Payout, Ten Years: 83.3%
	Full Value per Capita, 1993: \$55,070	Debt per Capita: \$2,044
	Combined General and Special Revenue Funds Undesignated Balance as % of Revenues,	Median: \$1,152
	1992: 57.8%	
	1993: 76.0%	

sale information: Legal Name of Issuer: City of Overland Park, Kansas.
Date of Bonds: November 1, 1994.
Security: General obligation, unlimited tax.
Use of Proceeds: Series 1994-A, taxable bonds, will be used to finance a portion of a fire training facility. Series 1994-B, tax-exempt bonds, will be used to construct the remaining portion of the fire training facility, and to construct a variety of street improvement, swimming pool, and bridge repairs.

Key Contacts:
Chief Financial Officer: Kristy Cannon, Director of Finance and Budget, (913) 381-5252.
Advisor: Evensen Dodge, Inc., Minneapolis, (612) 389-3535.
Bond Counsel: Burke, Williams, Sorensen & Garr, Overland Park, (913) 339-6200.
Auditor: Ernst & Young, Kansas City, Missouri, (816) 474-5200.

rating history:	March 1986:	Aaa	July 1978:	Aa
	August 1981:	Aa1	October 1986:	A1

analyst: Ken Krasney
(212) 553-1475

The information herein has been obtained from sources believed to be accurate and reliable, but because of the possibility of human and mechanical error, its accuracy or completeness is not guaranteed. Moody's ratings are opinions, not recommendations to buy or sell, and their accuracy is not guaranteed. A rating should be weighed solely as one factor in an investment decision, and you should make your own study and evaluation of any issuer whose securities or debt obligations you consider buying or selling. Most issuers of corporate bonds, municipal bonds and notes, preferred stock, and commercial paper which are rated by Moody's Investors Service, Inc. have, prior to receiving the rating, agreed to pay a fee to Moody's for the appraisal and rating services. The fee ranges from \$1,000 to \$125,000.

4
11-3

Overland Park, Kansas

debt factors: Debt Statement as of 10/12/94 (\$000):

	Amount
Bonded debt outstanding	
General obligation	\$ 30,114
General obligation - special assessment	7,221
Total bonded debt outstanding	37,335
Current offering (10/17/94)	8,430
Gross bonded debt	\$ 45,765
Temporary notes payable	7,620
Gross direct debt	\$ 53,385
Less:	
Temporary notes payable with proceeds of the current issue	5,160
Temporary notes payable from city funds	520
Direct net debt <input type="checkbox"/>	\$ 47,705
Overlapping debt	199,421
Overall net debt	\$247,126

At December 31, 1993, there was \$100,000 in the Debt Service Fund. General Fund reserves were \$13,399,325 and are transferred to Debt Service as needed.

For additional information please refer to Moody's 1994 Municipal and Government Manual, page 2318.

Defaults: None discovered.

Debt Ratios					Rate of Retirement		
Net Debt	Per Capita	Median <input type="checkbox"/>	% F.V.	Median (%) <input type="checkbox"/>	Principal Amount Due	Amount (\$000)	% of Total
Direct	\$ 394	\$ 567	0.7	1.4	In 5 years	\$27,760	58.2
Overall	2,044	1,152	3.7	3.0	In 10 years	39,735	83.3

1994 median for cities with population 100,000 to 199,999.

Structure: Rapid repayment, declining debt service requirements.

CIP/Future Borrowing: Annually updated five-year capital improvement program; current 1995-99 plan totals \$80.5 million. Thoroughfare improvements represent 41.2% of the total cost. Other significant items are street improvements (17.1%), and parks and recreation (10.3%). Approximately 26.8% will be

financed with general obligation bonds, with the remainder coming from pay-as-you-go-financing and the State of Kansas Department of Transportation. In conjunction with the capital improvement plan, the city expects to issue temporary notes in the Spring of 1995. In addition, the city plans to issue approximately \$5.3 million of general obligation bonds in the Fall of 1995.

administrative factors:

Form of Government: Mayor-Council form of government. Mayor elected at large and two council member are elected from each of five districts, all serve overlapping four-year terms. Appointed city manager responsible for day to day operations; director of finance and administration responsible for budget and finances.

Public Employees: Staff of 540 employees. Pension coverage provided by the Overland Park Municipal Employees' Pension Plan, Kansas Public Employees' Retirement System and Overland Park Police Department Retirement Plan. City's obligation is fully funded. City workers are non-unionized.

5
11-4

Overland Park, Kansas

Legal Factors: The city is involved in ongoing litigation concerning the method utilized for assessing for thoroughfare construction. (Further described in Paragraph 4 of the credit opinion.) Various court cases are pending both concerning the previous special assessment method and at the city's instigation, the current excise tax method that replaced the use of special assessment. However the courts ultimately

decide, the financial impact on the city is expected to be minimal as the city has created a reserve by transfer from the General Fund to pay the cost of the two projects that were in construction at the time of the original court cases, and had placed a moratorium on additional development pending the imposition of the excise tax.

property valuation and tax data:

Assessment Year	Assessed Valuation (\$000)	% Change	Full Valuation (\$000)	% Change	Tax Rate/ \$1,000 A.V.	Levy (\$000)	% Current Collected
1990	\$ 941,653	4.0	\$5,741,785	11.4	\$ 9.305	\$ 8,772	94.5
1991	1,006,721	6.9	5,895,882	2.7	9.305	9,371	92.5
1992	1,007,373	0.1	5,933,241	0.6	10.579	10,661	97.5
1993	1,064,452	5.7	6,659,702	12.2	10.777	11,472	In process
1994 <input type="checkbox"/>	1,102,884	3.6	NA	NA	10.777	11,886	Not yet due

Preliminary estimate.

1993 Full Valuation:	\$6,659,702,000	1993 F.V. per Capita:	\$55,070
Average Annual Growth F.V., 1989-93:	6.6%		

Largest Taxpayers	Business	1993 A.V. (\$000)
Metropolitan Life Insurance Co.	Office park/hotel	\$39,154
Copaken, White & Blitt	Shops and malls	23,701
Lighton, Plaza General	Office buildings	11,336
Charles H. Hunter, TR	Real estate	11,076
Metcalf South, L.P.	Shopping mall	9,650
PCA Executive Hills	Office building	9,578
Yellow Corporation	Trucking/shipping	8,941
Employers Reinsurance Corp.	Insurance	6,946
Renaissance Associates, L.P.	Office building	6,508
Overland Park Regional Medical Center	Hospital	6,430

11-5⁶

Overland Park, Kansas

economic factors:

Population: Overland Park

Year	Population	Area (sq. mi.)	Density	% Change		U.S.
				City	State	
1970	77,934	46	1,687	177.5	3.2	13.3
1980	81,784	44	1,855	4.9	5.1	11.4
1990	111,790	52	2,133	36.7	4.8	9.8
1993 □	120,932	56	2,159	8.2	-	-

Source: U.S. Census Bureau.
 □ City estimate

Location: Northeastern Johnson County; within the Kansas City metropolitan area. Third largest city in the state of Kansas.

Population and Housing Characteristics: Overland Park

	1980	1990	Norms 1980 □	State 1990	U.S. 1990
Population:					
Median age	31.2	33.9	29.8	32.9	32.9
% school age	22.1	17.5	18.3	19.1	18.2
% working age	64.9	65.3	62.2	59.5	61.7
% 65 and over	6.5	9.9	12.1	13.8	12.6
No. persons/household	2.7	2.5	2.5	2.5	2.6
Income:					
Median family income	\$29,200	\$52,412	\$21,758	\$32,966	\$35,225
% below poverty level	2.8	2.8	9.8	11.5	13.1
Per capita income	\$10,623	\$21,214	\$7,937	\$13,300	\$14,420
Housing:					
% owner occupied	69.8	64.4	64.4	67.9	64.2
% built before 1939	2.7	1.6	30.3	24.5	18.4
% built since last census	28.1	36.8	19.4	16.9	20.7
Owner occupied median value	\$68,500	\$95,300	\$46,894	\$52,200	\$79,100
Median gross rent	\$345	\$549	\$240	\$372	\$447
Occupied housing units	29,646	44,936	-	-	-

Source: U.S. Census Bureau.
 □ Norms are for all cities with population greater than 20,000 in the Plains Region.

Per Capita Income: Overland Park

Year	Income	% Change		City as % of	
		City	State	State	U.S.
1987	\$17,608	65.8	56.8	152.8	147.7
1989	21,214	99.7	81.0	159.5	147.1

Source: U.S. Census Bureau.

11-67

Overland Park, Kansas

Labor Market Characteristics: Overland Park

Year	Labor Force	Total Employment	% Unemployed		
			City	State	U.S.
1990	64,237	62,458	2.8	4.4	5.5
1991	68,265	66,361	2.8	4.4	6.7
1992	70,677	68,860	2.6	4.2	7.4
1993 ¹	71,932	69,879	2.9	5.0	6.8
7/93 ²	73,901	72,062	2.5	4.7	6.9
7/94 ³	76,394	74,419	2.6	4.7	6.2

Source: Local Area Unemployment Statistics (LAUS), Bureau of Labor Statistics

¹ Data prior to 1993 are scheduled to be revised back to 1990.

² Monthly estimates are being presented to deal with the problem of seasonality.

³ LAUS estimates starting in January 1994 are conceptually different from those available for earlier periods.

Largest Employers

Employer	Business	Employees 1994
Corporate Woods	Office park	6,000
Shawnee Mission School District	Education	3,812
Sprint/United Telephone	Utility	2,727
Black & Veatch Engineering Consultants	Engineering	2,493
Oak Park Mall	Shopping center	2,100
Metcalf South Shopping Center	Shopping center	1,600
Blue Valley School District	Education	1,600
Johnson County Community College	Community education	1,587
Overland Park Regional Medical Center	Hospital	1,026
Universal Underwriters	Finance	601

Source: Official Statement.

financial factors: Operating Funds Financial Performance (fiscal years ended 12/31 \$000) ¹

	1991	1992	1993	% Change	
				1991-92	1992-93
Revenues	\$57,420	\$60,981	\$66,577	6.2	9.2
Expenditures	55,755	53,072	59,086	-4.8	11.3
Operating surplus (deficit) ²	842	6,729	(25)	699.2	-100.4

¹ General, Special Revenue and Debt Service Funds. (modified accrual method of accounting).

² General Fund only.

1993 Sources of Revenue	%	1993 Items of Expenditure	%
Sales tax	40.7	Public safety	31.6
Property tax	23.7	Public works	18.2
Intergovernmental	12.9	Community development	16.9
Franchise tax	7.5	Debt service	14.0
Service charges	6.3	Finance and administration	11.9
		Interfund transfers	5.3

11-8

Overland Park, Kansas

General Fund Financial Position (fiscal years ended 12/31 \$000)

	1991	1992	1993
Cash and investments	\$5,272	\$11,917	\$11,467
Operating loans	-	-	-
Other current liabilities ¹	3,735	3,600	4,165
Year-end cash surplus	\$1,537	\$ 8,317	\$ 7,302
Receivables ²	\$3,992	\$ 3,591	\$ 4,065
Fund balance	\$6,696	\$13,425	\$13,400
Undesignated fund balance	5,529	11,768	11,367

¹ Excludes deferred revenue, includes encumbrances.

² Excludes deferred revenue.

Special Revenue Fund Financial Position (fiscal years ended 12/31 \$000)

	1991	1992	1993
Cash and investments	\$22,034	\$25,479	\$34,258
Other current liabilities and encumbrances	3,631	2,958	4,048
Year-end cash surplus	\$18,403	\$22,521	\$30,210
Receivables	\$ 1,956	\$ 547	\$ 766
Fund balance	\$23,477	\$24,868	\$34,432
Undesignated fund balance	20,359	21,558	29,248

Sales Tax Receipts

Fiscal Year	Amount (\$000)	% Change
1990	\$21,592	5.6
1991	22,102	2.4
1992	23,313	5.5
1993	27,118	16.3
1994 ¹	27,748	2.3
1995 ²	29,255	5.4

¹ Projected year-end 1994 receipts.

² 1995 budget.

5524M01 ■

9
11-8

Testimony before the House Taxation Committee
By Gerald Cook, President
Salina Area Chamber of Commerce
March 13, 1996

Chairman Kline and members of the committee, my name is Gerald Cook, I'm president of the Salina Area Chamber of Commerce.

I am here today representing several chambers across the state in addition to the Salina Chamber. Let me introduce these other chambers to you:

Dodge City Area Chamber of Commerce	Olathe Area Chamber of Commerce
Emporia Area Chamber of Commerce	Greater Topeka Chamber of Commerce
Grant County Chamber of Commerce	Hays Chamber of Commerce
Newton Area Chamber of Commerce	Pittsburg Area Chamber of Commerce
Lawrence Chamber of Commerce	Kansas City KS Area Chamber of Commerce
Overland Park Chamber of Commerce	Manhattan Chamber of Commerce
Great Bend Chamber of Commerce	Garden City Area Chamber of Commerce
Lenexa Chamber of Commerce	Salina Chamber of Commerce

We have joined together today to collectively voice serious concerns about the local spending cap as proposed in this constitutional amendment - HCR 5044.

There is not one of us in this room that would deny concerns about the cost of government. What citizen would not agree that government spending should be responsible and limited to what is possible for its taxpayers. However, the language in this bill, we believe, will slow down and maybe stop the only answer to controlling government costs - economic growth. Our principal concern with this bill is the effect a spending lid will have on infrastructure improvements and the economic development efforts of all of our communities.

The sponsors of HCR 5044 have attempted to address some of our questions with changes to last year's bill, particularly in the area of local government bonding. The local chambers before you today believe these changes are inadequate. This constitutional amendment will restrict our local governments from making the capital investments that our communities and businesses need to grow and prosper in the future.

Many of our cities and counties across the state face major issues that will need our local government's financial involvement to address. The cities of Salina, Hutchinson, Wichita, and Hays have reached agreement with KDHE to remediate groundwater contamination problems in large, major industrial areas of our communities. Costs of remediation will likely reach millions of dollars over time. If revenue bonds, tax-increment bonds, or local general fund spending for these projects require voter approval, if a community will exceed its cap, will these projects be accomplished? The consequences of cities not taking this leadership role would be an

immediate 40% reduction in all property values in the site areas and a chilling effect on the real estate market based upon federal reports. Would voters be convinced to vote yes if naysayers point to these projects as "give aways" to business?

Recently, elected officials in Salina accomplished a \$23 million wastewater treatment system improvement. This improvement eliminated an antiquated treatment plant and provided for 30 years of the future growth of industrial and residential areas. Consequences of not doing this project would have been a full moratorium on new residential, commercial and industrial development in key areas of south Salina and major shortfalls in infrastructure capacity for future growth elsewhere.

Over the next several years the City of Lawrence will need to spend nearly \$150 million on sewer and water improvements. These improvements will be made in the best interest of every Lawrence resident and business; and every new businesses they hope to attract.

As in Salina, HCR 5044 will exempt the bond proceeds from the lid, but it does not exempt the annual principle and interest payments to service the bonds. In Salina and Lawrence, the dollars to service the bonds will come primarily from increases in sewer and water hookup fees and the monthly water and sewer bills paid by homeowners and businesses. HCR 5044 requires that in the year after the cap is exceeded, the new cap will be calculated by going back to the previous year's cap and calculating the state's growth. (p.5, lines 29-35) What happens if you're thrown over the lid again by the same principle and interest payment. The technical challenges and unanswered questions that bond attorneys and bond purchasers would face under this legislation are covered in an attached letter, at the end of this testimony, from Gillmore & Bell, bond counsel for both Salina and Lawrence.

For a moment, think how this bill could prevent a Kansas community, particularly a small community from economic growth. This bill relies on the personal income growth of the state or the growth of state sales tax revenues in our counties. If you live in a county with little retail growth you probably will not see a significant increase in the county's sales tax collected by the state. If this town has a need to build a street or sewer extension in order to land a company expansion or a new industry, this community may well loose out. If this town is near or at its cap and the principal and interest on the bonds will put it over the cap, they will need a 3/4 vote from the governing body, for a three member county commission, that's unanimous. But let's say this community was able to get that positive vote, they still have to wait 60 days for a possible protest petition. Let's say there is one -- in our world they do happen. Will this company that is expanding wait or want to be made dependent upon a public vote? In my experience and that of the rest of us in dealing with prospects, this community may loose. Loose the only hope they have of controlling taxes - spreading the cost among more taxpayers and creating greater wealth in the community.

I mentioned the bill's requirement for a 3/4 majority vote in order to exceed the lid. This super-majority requirement to exceed the lid may be a moot point if bond attorneys determine that a public election is required on every local bond issue in order to assume maximum protection for

the purchasers of the bonds. Public elections on all streets, water and sewer projects would place a tremendous burden on cities and counties, not to mention our chambers of commerce. Who else will mount campaigns to pass needed bond elections? And as I mentioned, it could significantly delay our response time with economic development prospects and cause us to spend hundred of hours raising money to run election campaigns. Please understand as well, dollars for community projects are limited. When we ask for business dollars to spend on campaigns it many times affects the dollars businesses are able to give for other community events and sponsorships.

Under the best of scenarios, our hard work would pay off in voter support and we could keep our towns growing. Under the worst scenario, we loose the elections and our communities are eliminated as a source of new jobs for Kansas.

Another issue this bill raises is the issue of local control. The legislature has stood firm against the federal government issuing unfunded mandates to the states. HCR 5044 is a considerable state mandate to cities and counties and while in the language of the bill it exempts federal mandates from the lid, it does not exempt unfunded state mandates from the local spending lid.

Mr. Chairman, and members of the committee, we are gravely concerned that this is a constitutional amendment. Our last major constitutional amendment on classification and reappraisal created many unintended consequences, we even tried to fix it with another constitutional amendment. Many would contend it is still not fixed and probably this committee more than any other, has heard and debated bill after bill trying to fix classification and reappraisal statutorily. We do not know all the consequences of HCR 5044 - why would we seriously consider it as a constitutional amendment?

In closing, we share your concerns about the growth of property taxes - that's what this issue is really about, and therefore we support the continuation of the tax lid that is currently in effect. This constitutional amendment risks the future of our communities. If this constitutional amendment passes and the citizens choose to express their anger at government by voting no on infrastructure improvements, this legislation could go down in history as the bill that sent economic development in Kansas into a tail spin.

All of our chambers ask that you vote "no" on HCR 5044.

GILMORE & BELL

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

SUITE 400

700 WEST 47TH STREET

KANSAS CITY, MISSOURI 64112

816-931-7500

FACSIMILE: 816-931-7599

ST. LOUIS OFFICE
ONE METROPOLITAN SQUARE
211 N. BROADWAY, SUITE 2350
ST. LOUIS, MISSOURI 63102
314-436-1000
FACSIMILE: 314-436-1166

WICHITA OFFICE
ONE MAIN PLACE
100 NORTH MAIN, SUITE 800
WICHITA, KANSAS 67202-1398
316-267-2091
FACSIMILE: 316-262-6523

WEBB R. GILMORE
KIM B. WELLS
JAMES W. WINN
ROBERT P. BALLSRUD
CHRISTOPHER D. AHRENS
LYND K. MISCHÉ
CLARK R. IREY II
ALVIN D. WILKEN
E. SID DOUGLAS III
NANCY N. C. LEAR
RICHARD M. WRIGHT, JR.
MICHAEL D. McROBBIE
KAY E. THORNTON
MARK D. GRIMM
JAMES G. CALDWELL
TRISHA A. PARKS
MISSOURI BAR

JOE L. NORTON
DAVID W. QUEEN*
PHILIP C. LACEY*
GARY A. ANDERSON*
DEBORAH K. DENNINGTON*
KEVIN M. COWAN*
KANSAS BAR

OF COUNSEL
BYRON BRAINERD

DONALD A. BELL
1928-1985
JERRY T. POWELL
1933-1993

OF COUNSEL
RICHARD E. PETRIE

*ALSO ADMITTED IN MISSOURI

March 8, 1996

Mr. Gary Toebben
President
Lawrence Chamber of Commerce
734 Vermont
P.O. Box 586
Lawrence, Kansas 66044

Re: Impact of HCR 5044 on Municipal Bonds

Dear Mr. Toebben:

You have inquired as to the impact of the proposed Kansas House Concurrent Resolution No. 5044 ("HCR 5044") on the issuance of municipal bonds by cities in Kansas. HCR 5044 would impose limitations upon expenditures by the state, counties and cities. HCR 5044 would limit the annual growth of a city's budget for expenditures to a percentage equal to the greater of either a 3-year average of total state personal income growth or a 3-year average of the growth in state sales tax collections from the county wherein the city is located.

The most significant impact of the proposed lid on the issuance of municipal bonds would result from the inclusion in the lid of all expenditures required to pay debt service on a city's bonds issued after the effective date of the lid.

Since debt service payments would be within the lid, a city could be prevented from expending moneys available to pay debt service to the extent that such expenditures would cause the city to exceed its spending lid, unless the city would cut expenditures by a like amount in another area. Thus, while the city might have the money to pay debt service, it could be precluded from spending it. It would require an annual accounting analysis to determine whether the city would have the ability to spend the moneys collected for debt service without reducing expenditures in some other category.

This limitation would have a significant impact on the creditworthiness of a city's debt obligations and could result in the municipal bonds of Kansas cities being downgraded by the national credit rating agencies such as Moody's, Standard & Poor's and Fitch. Furthermore, this limitation would result in higher borrowing costs for Kansas cities as a result of such reduced creditworthiness.

12-4

Mr. Gary Toebben
March 8, 1996
Page 2

The proposed spending lid applies to expenditures from property taxes, special assessments, sales taxes, service fees and utility revenues. As a result, the spending lid would impact the ability of Kansas cities to issue municipal bonds regardless of whether the bonds were secured by ad valorem property taxes, special assessments, sales taxes or utility revenues.

There is an exception to the spending lid for a one year period and possibly an exception for a four year period (although the availability of a four-year exception is not certain due to unclear language in the current draft). Neither of these exceptions would be of benefit with respect to a city's bonds.

To come within the exceptions, the city would have to take action annually to exempt itself from the lid and such action would be subject to a voter referendum if a sufficient petition was filed. Thus the lid could result in multiple elections to authorize exceptions during the life of each bond issue which is frequently ten to twenty years. This would be expensive and impractical. In addition, the exceptions would be of no comfort to bondholders since the exceptions would have to be renewed annually and if not so renewed, the lid would revert to its prior level.

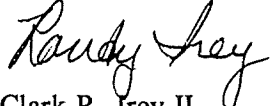
Finally, there is no exception from the spending lid for voter-approved bond issues. The spending lid would apply to debt service payments even if the bonds being paid were originally authorized by the voters.

In summary, the spending lid, as outlined above, would have a serious and dramatic impact on the ability of Kansas cities to market bonds to finance capital improvements by establishing significant limitations on a city's ability to spend moneys collected to pay the bonds.

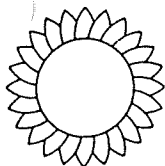
If you should have any further questions, please do not hesitate to contact me.

Best regards.

Very truly yours,


Clark R. Irely II

CRI:jam



Johnson County
Kansas

March 13, 1996

HOUSE TAXATION COMMITTEE

HEARING ON HOUSE CONCURRENT RESOLUTION 5044

TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL COORDINATOR
JOHNSON COUNTY BOARD OF COMMISSIONERS

Mr. Chairman, members of the Committee, my name is Gerry Ray representing the Johnson County Board of Commissioners, appearing today to express opposition to HCR 5044 on behalf of the Board.

The resolution imposes a limit on expenditures by the state, counties and cities. In counties the increase in total expenditures would be limited to the greater of annual state growth in average personal income or growth in state sales tax collections in the county.

HCR 5044 is motivated by the assumption by some legislators that counties and cities are spending out of control and taxing their citizens to an unacceptable level. Conversely our county officials argue that they were elected to provide governance for their jurisdiction the same as legislators are elected to govern the state. Therefore, they are puzzled as to why so many limitations are proposed and imposed on local government.

Has Johnson County exceeded the expenditure limit set out in HCR 5044? Yes we have done so on several occasions. Although our county has a good growth factor, with that growth comes need for additional infrastructure, increased jail space and more service delivery to accommodate the expanding population. There were other factors that came into the came into play such as in 1992 when all federal and state grants were pulled into the budget rather than remaining off line. The reason it was done was to implement a more efficient accounting system. On paper that year we had a 28% increase in spending, however there was only a fractional increase in the mill levy. In 1993 the voters approved a new method for financing sewers on a county wide basis. Due to merging the sewer fees into the budget, the total spending rose 19.8% but did not ripple down to the taxpayers in the form of any significant increase. I could continue giving such examples but it is pointless to take up time to do so.

The most serious misgivings the Johnson County Commission has is the placing of a restriction such as this in the constitution. Numerous times since classification became a part of the constitution many legislators and citizens have regretted their inability to fine tune the provisions. Constitutional action allows little or no flexibility to deal with unforeseeable circumstances. The limit placed on expenditure increases may be

adequate in 1996, however, who in this room can predict what will occur in the next ten to twenty years. Particularly with the anticipated changes coming from the federal government, it is impossible to be certain what will be required in the years ahead. The current economy is good and we are experiencing a considerable amount of growth, but that can change and the ability should be retained to deal with circumstances that may surface in the future.

Should the federal government pass laws placing restrictions on the amount of taxes imposed at the state level, the state officials would certainly question how those in Washington can make a judgement on what is best for Kansas. Please understand that the county commissioners have the same questions about how the state officials know what is best for individual counties.

The Johnson County Commission urges the Committee to reject this proposal.



SEDGWICK COUNTY, KANSAS

BUREAU OF FINANCE
BECKY A. ALLEN-BOUSKA, DIRECTOR

COUNTY COURTHOUSE, SUITE 823
525 N. MAIN, WICHITA, KANSAS 67203-3703

PHONE: (316) 383-7591
FAX: (316) 383-7729

TO: House Taxation Committee

FROM: Becky A. Allen-Bouska, Finance Director

DATE: March 13, 1996

SUBJECT: HCR 5044 - Spending Lid Constitutional Amendment

Chairman Kline and Members of the Committee:

I am Becky A. Allen-Bouska, Finance Director of Sedgwick County. Thank you for this opportunity to testify. We in Sedgwick County are concerned about the potential effects of this proposed constitutional amendment on local governments in Kansas. I will briefly summarize our major concerns, without comment on what seem to be numerous technical errors in the wording of the proposed amendment.

1. Local governments are already regulated locally:

This amendment perpetuates the myth that Kansas city and county governments need a helping hand to save their citizens from unreasonable growth in local government spending. The amendment would accomplish this by limiting spending growth rates in cities and counties to the growth rate of either aggregate personal income at the statewide level, or retail sales at the local level.

In Sedgwick County the facts belie the myth of local government irresponsibility. For example, Kansas personal income increased by 29.8% between 1988 and 1993, according to figures published by the WSU Center for Economic Development and Business Research. In Sedgwick County, personal income increased by 30.1%. During the same five-year period, net spending by the County increased by 30.6%. These numbers simply do not indicate an out-of-control spending situation.

While Sedgwick County spending increased only slightly more than personal income, this is the same period during which the County funded the construction and staffing of a major detention facility. Our Board of County Commissioners somehow responded to the urgent need for more detention space without dramatically increasing spending more than the rate

"...to be the best we can be

House Taxation
3-13-96
Attachment 14-1

of personal income growth. Incredibly, they did this without a spending lid.

In truth, the governing boards of cities and counties are already regulated by the immediacy of daily direct contact with their neighbors and constituents. If this effective system of local checks and balances ain't broke, why is someone trying to fix it?

2. Local governments need more flexibility:

Unlike state government, local governments tend to experience uneven growth in demand for services. The reason for this is that the scope of services is much smaller at the local level. The construction of one building or the purchase of a few voting machines can have a major impact on a local government budget. In the state budget the same purchase may hardly be noticeable.

Trouble is, small governments sometimes DO have to build buildings or buy equipment. Under the proposed amendment, this would become much more difficult.

The proposed amendment tends to encourage even growth based upon a broad index. In effect, it views all local governments from the same perspective as state government. How can the proposed limitation ever hope to be equitable?

3. Local governments don't want to play games:

While a spending lid sounds nice, this amendment may tend to encourage more spending, not less. This is because over the long term governments would be penalized by not spending right up to the limit. By not taking full advantage of the limitation, leverage would be lost for possible unforeseen needs in succeeding years.

Attached is an analysis of the possible effects of the spending lid amendment on Sedgwick County budgets. These effects are summarized in Section C. Please note that our 1996 budget probably would have exceeded the spending lid by over \$2.5 million, even though property taxation was not increased. In contrast, projected 1997 spending would be under the lid by over \$5 million.

Since the 1998 lid would presumably be based on the 1997 budget, it is obvious that realistic financial planning would entail increasing 1997 spending to avoid going over the lid in 1998. Is this the type of logic we want to introduce to Kansas government finance?

4. Conclusion

To local governments, the proposed amendment represents a counterproductive element in our quest for the financial balance between what citizens want, and what they are willing to pay for. It is an additional burden with an illusory goal. In our view, the need for this type of legislation is undocumented, and not worthy of inclusion in the Kansas Constitution.

Attachment

Attachment: Spending Lid Calculations

A: Sedgwick County sales tax collections growth *

	total	increase	% increase
1990	44,049,592		
1991	44,609,637	560,045	1.27%
1992	48,028,884	3,419,247	7.66%
1993	53,101,729	5,072,845	10.56%
1994	53,731,178	629,449	1.19%
1995	56,429,587	2,698,409	5.02%
1996 (est.)	59,251,066	2,821,479	5.00%

3-yr. running averages

1995 limit –	6.5%
1996 limit –	6.5%
1997 limit –	5.6%
1998 limit –	3.7%

* Reflects 1% local tax only. Assumption: state collections in Sedgwick County have the same growth rate.

B: Kansas Personal Income Growth (total, millions of dollars)

	total	increase	% increase
1989	40,553.3		
1990	43,762.6	3,209.3	7.91%
1991	45,476.1	1,713.5	3.92%
1992	48,367.8	2,891.7	6.36%
1993	50,319.2	1,951.4	4.03%
1994	52,926.0	2,606.8	5.18%
1995	56,447.0	3,521.0	6.65%

3-yr. running averages

1995 limit –	6.1%
1996 limit –	4.8%
1997 limit –	5.2%
1998 limit –	5.3%

Source: WSU Business and Economic Report

C: Budget Analysis – All County Funds

Budgets ¹	Adopted prior year	Proposed Lid	Adopted current year	over/ (under)
1995	132,677,645	141,300,933 ²	141,072,160	(228,773)
1996	141,072,160	150,200,588 ³	152,796,546	2,595,958 ⁸
1997	152,796,546	157,997,878 ⁴	152,933,583 ⁶	(5,064,295) ⁹
1998 (est.)	152,933,583	161,022,605 ⁵	162,933,583 ⁷	1,910,978

¹ Does not include debt service or grants.

² Based on prior year budget and sales tax collections growth 3-yr average.

³ Based on prior year budget and sales tax collections growth 3-yr average.

⁴ Based on two-year prior budget and sales tax collection growth 3-yr average. Since the prior year budget was over the lid, it cannot be used as a basis for the next year's lid.

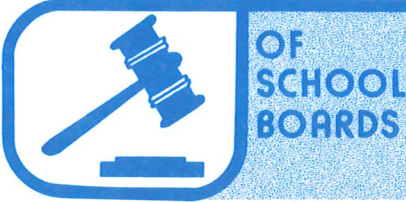
⁵ Based on prior year budget and personal income growth 3-yr average.

⁶ Estimated (1997 budget in early development stages as of this writing).

⁷ Estimate based on opening of detention facility addition in 1998.

⁸ Though the 1996 budget would have been significantly higher than the hypothetical lid, tax rates did not increase.

⁹ Though the 1997 budget would be \$5,000,000 under the spending lid, it would reduce the 1998 lid, causing an overage.



TO: House Committee on Taxation
FROM: Mark Tallman, Director of Governmental Relations
DATE: March 13, 1996
RE: Testimony on H.C.R. 5044 - State and Local Spending Limit

Mr. Chairman, Members of the Committee:

KASB appreciates the opportunity to appear before you today on H.C.R. 5044. We oppose this constitutional amendment for the following reasons.

1. As a general philosophy, we are concerned about any arbitrary limitations on the ability of the state to fund its educational responsibilities. We believe that the state and its local units of educational governance should be able to determine education funding based on changing needs.

2. The proposed state spending limits could make it more difficult to meet those needs if they exceed the index proposed in this amendment. The bill does provide that state spending could be exceeded by a "declaration of need" by the Governor and a 2/3 vote of both Houses. However, this means that a minority of legislators may defeat proposed funding supported by a majority of the people's representatives. By requiring the Governor to initiate this action, the amendment also reverses the traditional concept that legislation originates from the Legislature, subject to veto by the executive with the possibility of override.

3. School districts have always depended on legislative authority to raise and spend funds. School budgets are even more constrained under the present school finance act. Public school district funding also now accounts for about one-half of state general fund spending. Limits on state spending will certainly have a significant impact on school funding.

4. One of our greatest concerns is that this proposal could limit the funding available for public education, but it in no way limits the entitlement to educational services and the additional cost pressures that both the federal government and the state legislature have authorized. In other words, this proposal seeks to limit spending, but it does nothing to limit school district operating costs. Attached to our testimony is a page of information from a recent KASB report comparing state and federal regulations and mandates imposed on public and private schools. It identifies the wide range budget pressure that have been imposed upon school districts by the state and federal government. This amendment does not address any of those elements.

5. The potential result is that to meet these costs, districts would have to turn more and more to the local option budget, raising property taxes in place of state funding, or reduce services to "regular" students who are not entitled to special programs or procedures.

6. It is also important to note that the total of school district general fund expenditures - the most significant part of district expenditures and the part least subject to voter disapproval - now account for only a slightly higher percentage of Kansas personal income that it did in 1973 when the previous school finance system was created. In other words, despite the cost pressures imposed in the last two decades, the burden on the taxpayers of providing general education services has remained proportionately the same.

7. Finally, we are concerned that H.C.R. 5044 would make it more difficult to adjust the funding of education and other services among the different levels of government. One reason state spending has increased in recent years has been the fact that the state assumed a much greater role for education funding, which resulted in lower local property tax rates for schools. On the other hand, the federal government appears to ready to reduce its commitment to educational funding. The state may not necessarily need to replace all of that funding - it may be able to provide those services more efficiently or do without some services - but H.C.R. 5044 could make it more difficult to assume any of those responsibilities. We must point out these federal programs tend to be directed at the most disadvantaged children - the very population we must reach if American educational performance is going to increase and the cycles of poverty be broken.

For those reasons, Mr. Chairman, we oppose the passage of H.C.R. 5044.

The Cost of Different Rules

The following is a list of public school mandates that lead to higher operating costs than private schools.

Instruction (Classroom teachers)

- Mandatory collective bargaining increases teacher salaries and benefits, which are 90% of instructional costs.
- Mandatory K-12 instruction costs more than private elementary programs.
- Private schools often do not offer more expensive vocational or remedial programs.

Operations and Maintenance (Custodians, utilities, repairs)

- Public schools must provide space for all eligible children who wish to attend.

School Administration (Principals and office support)

- Principals must spend more time on discipline and documentation of disciplinary violations because public schools must accept all students, have limited ability to remove students, and must provide due process hearings for students before they are removed.
- Principals must spend more time evaluating and documenting teacher performance because public schools must provide due process before terminating teachers.

Transfers to Special Education (not covered by special education aid)

- Appropriate special education services must be provided to all qualifying students, including students who attend private schools.

Transfers to Transportation (School buses, drivers and support)

- Public school districts must provide transportation to all students who reside more than 2.5 miles from school, as well as transportation of private school students in certain circumstances.

General Administration (Superintendents and other district administrative staff)

- 54 different state statutes require school districts to file reports or written policies with state and federal authorities. Most do not affect private schools.
- District officials and/or contracted negotiators must spend dozens or hundreds of hours each year complying with teacher negotiations laws.
- Legal expenses for student and employee due process and policy compliance far exceed less regulated private schools.
- Only public schools are required to operate school site councils.

Instructional Support (Libraries, teacher inservice, testing and research)

- State law mandates staff inservice programs only for public schools.

Student Support (School counselors and nurses)

- Public school counselors deal with career and college planning as well as a wide range of social needs facing children and young adults. Private schools have a more selective mission and student body.
- Public schools must offer a wider range of health services.

Other Support (Business office and other activities)

- Accounting and payroll records must comply with state school finance laws.

Transfer to Vocational Education

- Public schools provide these programs to meet the needs of all students within the district, not just the college-bound.

Student Activities

- Salaries for coaches and sponsors in public schools are "supplemental contracts" which must be negotiated and cannot be assigned without compensation.



**League
of Kansas
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3896 (913) 354-9565 FAX (913) 354-4186

LEGISLATIVE TESTIMONY

TO: House Taxation Committee
FROM: Chris McKenzie, Executive Director
DATE: March 13, 1996
SUBJECT: Opposition to HCR 5044

Thank you for the opportunity to testify today in opposition to HCR 5044, the proposed constitutional spending lid on state, county and city governments. I appear on behalf of the 540 member cities of the League and their over 3,000 elected governing body members who are elected by the same voters who elect you and who visit with them on a daily basis about local spending priorities. Our opposition is grounded on both general and specific principles which are as follows:

1. General

In 1960 the voters of our state adopted Article 12, Section 5 of the Kansas Constitution, known popularly as the "home rule amendment". Through that amendment the people of our state delegated direct legislative powers to the cities of Kansas except as limited by the legislature. That amendment states in numerous ways the preference of Kansans for **local control** of municipal government, including among them authorization for home rule taxes (except as legislative limited) and the following statement:

(d) Powers and authority granted cities pursuant to this section shall be liberally construed for the purpose of giving to cities the largest measure of self government.

In 1996 we celebrate the 35th anniversary of the Kansas home rule amendment. HCR 5044 would deal a serious blow to the home rule amendment by imposing unjustified limitations on spending decisions by city elected officials who are just as accountable to the electorate as their state legislative colleagues. In fact, in light of the closer public scrutiny of local spending, it is ironic that HCR 5044 would subject local spending decisions to an even higher level of restrictions than it does state spending decisions. Let me explain.

Specific Objections

1. No Demonstrated Need. The legislature typically legislates in response to a documented need. We are unaware of any information indicating a problem with the reasonableness of municipal spending decisions. In fact, the table attached to my testimony from a recent report on state and local

House Taxation
3-13-96
Attachment 16-1

expenditures and revenues¹ reveals that Kansas has per capita local general expenditures which are **less than the average for our region** and the United States on average. Furthermore, as the second attachment to my testimony indicates, cities have been extremely responsible in increasing their property taxes since 1992, with among the lowest rate of increases. In other words, there seems to be no evidence of a need for this amendment with regard to cities. Given the importance of a constitutional amendment it would seem inappropriate to include provisions which are not supported by the evidence. Due to the fact local government actions are subject to more public scrutiny, local spending decisions take place in a fish bowl which is generally well covered by the news media and followed by the public. As you know, many city councils' meetings have been on cable television for years, providing better access than anything available at the state level.

2. Cities Are Already Subject to Considerable Legislative Restrictions. Both before and since the 1960 home rule amendment, the legislature has exercised considerable control over local financial practices. These range from the 1930's cash basis and budget laws to today's property tax lid, fund levy rate limits and restrictions on borrowing (e.g., debt limits, lease-purchasing restrictions, etc.). Furthermore, the legislature has preempted cities' ability to levy income and excise taxes, as well as other forms of revenue. There is no evidence of the legislature's inability to act to address a problem when one indeed arises.

3. Cities Are Already Subject to Initiative and Referendum. Cities are the only level of government in Kansas today subject to initiative and referendum (see K.S.A. 12-3013). HCR 5044 suggests that additional restrictions and oversight are necessary, yet the voters have all the authority they need today to impose a spending lid if they so choose through the current initiative and referendum law. In addition to the initiative and referendum law, cities are subject to numerous statutes which impose either mandatory referendum or petition for referendum opportunities. We hardly need yet another restriction.

4. HCR 5044 Discriminates Against Cities. The emergency spending provisions of HCR 5044 treat cities significantly differently than the state by imposing three-fourths vote requirements in Section 3(b) on cities (subject to a voter petition for a referendum) when state government, the level of government more removed from the public, could exceed its limitation by a 2/3 vote of the House and Senate **without** any petition for an election provisions. If anything, the opportunity for an election should be easier at the state level given the distance from the electorate at which state government operates. Furthermore, by subjecting the spending of only cities and counties to the local spending lid provisions, this resolution would unfairly single them out for restriction without touching the spending practices of literally thousands of other local units of government. Finally, paragraph (b) of Section 1 (page 1, line 33) of the proposed amendment authorizes maintenance of a state reserve fund, but no counterpart provisions exist for cities and counties.

5. HCR 5044 Would Undermine The Financing of Local Infrastructure. Today cities routinely finance major infrastructure improvement projects by issuing general obligation and revenue bonds, making principal and interest payments to retire the bonds over a 10 - 20 year period. The

¹ *Significant Features of Fiscal Federalism, Vol. 2, Revenues and Expenditures*, Advisory Commission on Intergovernmental Relations, December, 1994, pp. 144 - 147.

theory behind financing such improvements this way is based on the principle that those who benefit from such facilities should assist in paying their costs. While the earlier version of this measure, HCR 5023, would have exempted bond principal and interest payments on bonds that have been voter approved, subsection (3) (C) of Section 1 of HCR 5044 only exempts such payments on bonds "...that were undertaken prior to the effective date of this article." The practical effect of this wording is to nullify the effect of the exemption in subsection (3)(B) of Section 1 for spending bond proceeds. In other words, if a city's expenditure of the proceeds of a bond issue is exempt from the lid, but debt service payments on the bonds are not, the first exemption is meaningless. In such cases, the maximum period for which an exemption could be secured from the voters would be four years. Four year financings are simply not going to be feasible financings because the term is too short. If bonds issues are not feasible, they will not be issued. As a result, streets, sewers, sidewalks, etc. will not be bond financed and in many cases will not be able to be built.

6. There Are Major Unresolved Interpretation And Implementation Problems With The Proposal. Since certain state leaders announced their support for this proposal last fall, I have developed an extensive list of implementation and interpretation questions that I have shared with representatives of the KCCI and Kansas Association of Realtors. Unfortunately, there seems to have been little effort to address these matters in the drafting of HCR 5044. These include the following:

■ **What are lid covered expenditures?** (a) Pre-audit or post-audit expenditures? (b) Does it include the expenditure of temporary note or bond proceeds within the year in question? (c) What about expenditure of proceeds of refunding bonds (which lower net costs to city)?(d) Are depreciation expenses included? (e) What about the expenditure of proceeds of IRB issues for business buildings and equipment?

■ **What about utility expenditures?** (a) Depending upon weather considerations, system replacement needs, etc., utility expenditures can vary considerably year-to-year. (b) Utility revenues received from user fees could conceivably not be used to deliver services if the lid were exceeded. Isn't utility spending on pay-as-you-go projects different from general tax spending? In fact, some utility spending is necessary to modernize plant and equipment which if not upgraded or improved could threaten the safety and convenience of the public.

■ **What about reserve fund expenditures?** Under current law cities and counties can create reserve funds for highway/street repair, equipment replacement, bridge replacement, etc. which are funded by annual transfers (i.e., expenditures) from other funds. When the moneys are finally expended for authorized uses, are they again expenditures? If so, why would we count these expenses twice? **Do we want to discourage saving** to finance such costs and encourage borrowing?

■ **What about fund transfers?** Under current law cities and counties may budget transfers of funds from one fund to another (e.g., to spread an administrative cost between the general and water fund). Would the transfer be treated as an expenditure as well and the final expense?

■ **Will special assessment bonds (See K.S.A. 12-6a01, et seq.) Be feasible?** Millions of dollars of tax exempt special assessment bonds (i.e., general obligation bonds of the city, backed by a pledge of the special assessments) are issued each year to finance street, sidewalk, and sewer improvements which benefit residential and commercial properties. These bond financings may occur today without public vote. Typically permanent financing of these projects are handled through one bond issue (e.g., in 1992 Wichita financed 72 separate special benefit district projects in one bond issue). If this

financing mechanism were not available, developers would have to turn to the taxable lending market, raising both interest and housing costs. Won't this just hurt the housing consumer?

■ **What about local matches of state and federal grants?** Matches of federal and state grants in certain years could create major spikes in local spending, exceeding the lid. In some years, it may not be known whether the match will be needed or in some future year (e.g., state highway program matching grants).

■ **Annexation and intergovernmental consolidation spending?** Spending necessary to implement an annexation plan or intergovernmental consolidation plan (e.g., regional solid waste landfills) is not exempt, yet spending in the early years would necessarily be higher than in later years. An inability to make infrastructure improvements and increase services in newly annexed areas could lead to less orderly growth and urban expansion.

■ **State mandated spending.** State mandated spending is not exempt, leaving the state free to use up discretionary spending authority at the local level as state spending flexibility declines. For example, if the legislature ordered counties to conduct a major election in every county without reimbursement, the incremental increased cost of such an election would count against the county's spending limitation, preventing it from carrying out other functions such as tax administration, jail administration, support for district court (also a mandate). Does this make sense?

■ **Uncontrollable costs.** Many uncontrollable costs are included, including health care, disaster recovery, judgements, and legal defense costs. Judgments and legal defense costs are especially problematic because the city is entirely without choice in paying such expenses in many cases.

■ **Election costs.** Election costs associated with the elections envisioned by the amendment are not exempt.

■ **Will spending of sales tax proceeds be included?** Sales taxes are only levied by cities with voter approval. The status of previous voter approved taxes is unclear (e.g., sales tax for capital improvements, with future projects unspecified beyond initial program).

■ **Will spending of dedicated tax revenues be included?** If transient guest tax and other limited purpose taxes (e.g., motor fuel tax) outperform the lid, would cities be unable to expend funds for tourism purposes or other restricted purposes even if it was on hand? Why should the expenditure of revenues which have the effect of expanding the state and local economies be discouraged?

■ **Doesn't the lid create another use it or lose it incentive?** How do we avoid the incentive to spend created by the lid? It creates an incentive to expand the base over the prior year, even if not needed this year, in order to preserve future options. This is the "use it or lose it mentality" we want to discourage, but the lid would directly encourage.

6. The Economic Development Effects of This Little Understood Proposal Could Be Devastating. While the state of Kansas and its cities are partners in developing the economy of our state, city governments ultimately do the heavy lifting in securing development and redevelopment commitments from existing and new businesses. How is this done? It is done through the exchange of promises that have value. In exchange for the direct and indirect economic benefits of economic development, cities frequently promise to build roads, bridges, water lines, sewer lines, and other facilities. Some cities have created economic development loan and grant programs through which

local tax dollars are used to spur economic growth for their city and Kansas. Moreover, maintenance of existing infrastructure and the efficient delivery of municipal services at a reasonable public cost determines in a fundamental way the extent to which a city is attractive for future economic investment. None of these expenditures can always be planned to occur in gradually increasing levels as HCR 5044 would indicate is desirable. We all know that sometimes a public investment of considerable magnitude is necessary in order to secure substantial economic benefit for a community and our state. HCR 5044 would impose an arbitrary restriction on such spending, and such a limitation would ultimately prove costly to the entire state's economy.

Conclusion

HCR 5044 is a simplistic and dangerous approach to solving a problem that has not even been demonstrated to exist. It would undo 35 years of history of self reliance and self governance that was authorized by the Kansas home rule amendment in 1960. It represents state micro-management of local affairs at its worst, and we strongly urge you will defeat it.

RECOMMENDATION: We strongly urge the Committee not to pass this measure or to restrict its application only to state government.

Table 77
Local General Expenditures, Per Capita, FY 1992

Region and State	Total	Intergovernmental	Direct								Exhibi. 7/1/92 Population (thousands)
			Total	Elementary and Secondary Education	Health and Hospitals	Interest on General Debt	Police	Public Welfare	Highways	All Other	
United States	\$2,235	\$29	\$2,207	\$889	\$182	\$120	\$116	\$113	\$103	\$684	255,075
New England	1,903	32	1,871	927	56	54	104	35	81	614	13,195
Connecticut	2,196	†	2,195	1,125	29	61	118	73	88	702	3,279
Maine	1,720	†	1,720	955	37	65	59	21	111	472	1,236
Massachusetts	1,887	63	1,824	813	96	52	112	12	67	672	5,993
New Hampshire	1,767	39	1,727	886	14	58	93	88	100	488	1,115
Rhode Island	1,565	†	1,565	868	2	38	107	28	46	476	1,001
Vermont	1,640	†	1,640	1,119	5	26	49	1	151	290	571
Mideast	2,937	120	2,835	1,086	169	165	145	251	108	912	44,117
Delaware	1,572	14	1,559	903	10	89	89	2	63	402	691
District of Columbia	7,561	-	7,561	1,066	915	404	466	1,491	208	3,012	585
Maryland	1,946	16	1,930	849	45	120	114	8	86	708	4,917
New Jersey	2,647	50	2,597	1,205	61	105	143	137	87	859	7,820
New York	3,864	215	3,649	1,225	291	180	190	445	149	1,167	18,109
Pennsylvania	1,984	10	1,974	906	77	191	78	86	66	570	11,995
Great Lakes	2,069	10	2,059	889	149	82	111	77	125	625	42,719
Illinois	2,016	2	2,014	803	95	101	130	25	133	727	11,613
Indiana	1,785	10	1,775	858	202	60	60	68	80	447	5,658
Michigan	2,217	21	2,196	1,013	184	75	113	38	120	653	9,434
Ohio	1,949	10	1,939	831	151	74	107	129	109	539	11,021
Wisconsin	2,494	3	2,490	1,019	150	92	129	165	206	730	4,993
Plains	2,048	10	2,038	901	153	115	86	81	159	542	17,920
Iowa	2,045	26	2,020	920	193	79	78	48	199	504	2,803
Kansas	1,967	†	1,967	859	144	161	93	14	161	534	2,515
Minnesota	2,825	17	2,808	1,064	238	208	101	254	217	725	4,468
Missouri	1,587	†	1,587	782	100	63	88	14	94	446	5,191
Nebraska	1,904	5	1,899	927	129	62	70	28	144	540	1,601
North Dakota	1,671	18	1,653	835	12	98	54	43	147	463	634
South Dakota	1,490	6	1,485	823	42	34	60	15	159	352	708
Southeast	1,810	7	1,803	758	219	115	95	23	74	517	61,103
Alabama	1,505	2	1,503	579	285	95	79	11	91	365	4,138
Arkansas	1,254	†	1,254	707	101	71	54	1	74	246	2,394
Florida	2,280	5	2,275	820	203	175	153	18	101	805	13,483
Georgia	1,966	3	1,963	803	420	84	90	8	76	481	6,773
Kentucky	1,362	1	1,362	655	110	154	56	8	58	321	3,754
Louisiana	1,811	4	1,807	811	194	140	105	9	86	462	4,279

Table 77 (cont.)
Local General Expenditures, Per Capita, FY 1992

Region and State	Total	Intergovernmental	Direct							All Other	Population (thousands)
			Total	Elementary and Secondary Education	Health and Hospitals	Interest on General Debt	Police	Public Welfare	Highways		
Southeast (cont.)											
Mississippi	\$1,549	†	\$1,548	\$639	\$291	\$82	\$58	\$9	\$100	\$369	2,615
North Carolina	1,803	30	1,773	785	255	64	81	60	40	489	6,836
South Carolina	1,595	8	1,587	786	241	76	69	2	28	385	3,603
Tennessee	1,549	6	1,543	586	221	101	81	16	87	451	5,025
Virginia	1,873	10	1,863	852	70	107	94	79	61	598	6,394
West Virginia	1,425	1	1,424	867	120	137	38	†	20	241	1,809
Southwest											
Arizona	1,926	10	1,916	857	160	162	101	19	89	529	26,302
Arizona	2,198	55	2,142	836	94	211	130	78	111	682	3,832
New Mexico	1,785	14	1,771	827	92	113	104	18	95	522	1,582
Oklahoma	1,605	1	1,604	775	189	95	78	4	94	369	3,205
Texas	1,938	1	1,937	879	175	167	98	9	83	526	17,683
Rocky Mountain											
Colorado	2,074	11	2,063	898	142	138	99	67	128	589	7,629
Colorado	2,413	17	2,396	902	150	201	119	125	165	734	3,465
Idaho	1,633	10	1,623	776	184	31	80	27	116	409	1,066
Montana	1,750	11	1,739	937	72	102	69	35	102	422	822
Utah	1,599	4	1,595	835	60	89	79	8	77	447	1,811
Wyoming	2,984	2	2,981	1,331	430	176	122	14	129	780	465
Far West											
Alaska	2,694	25	2,668	872	249	113	152	238	103	942	42,090
Alaska	3,517	†	3,517	1,343	145	469	138	28	167	1,228	588
California	2,865	33	2,832	863	288	111	166	320	98	986	30,895
Hawaii	1,091	†	1,091	1	12	68	141	10	64	797	1,156
Nevada	2,590	1	2,589	891	222	224	169	33	135	916	1,336
Oregon	2,209	3	2,207	965	131	64	97	10	137	803	2,972
Washington	2,239	7	2,232	1,008	159	93	101	3	102	766	5,143

- represents zero

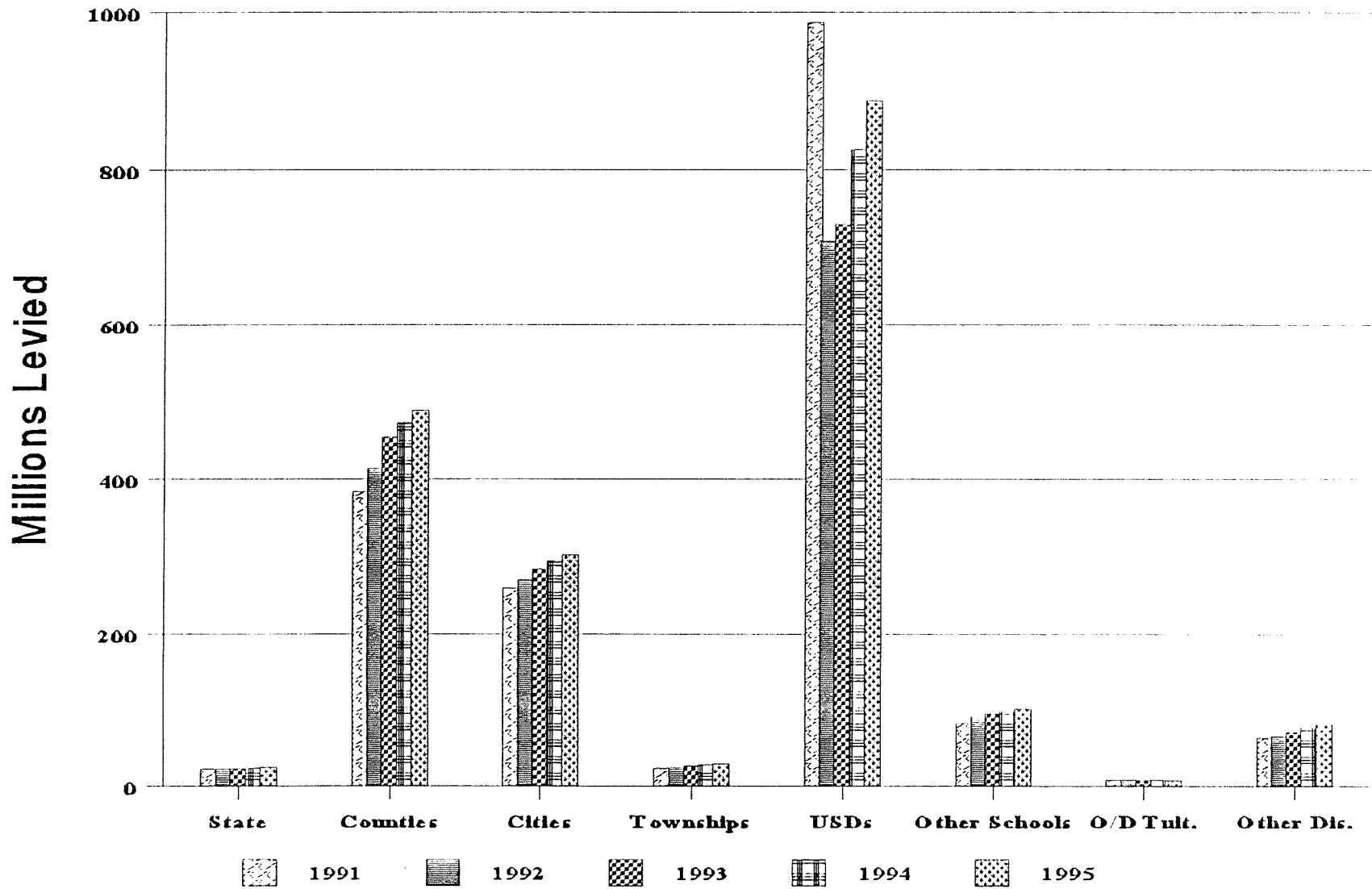
† less than \$1 per capita

¹ The state directly finances elementary and secondary education.

Source: ACIR computations based on data supplied by the U.S. Department of Commerce, Bureau of the Census. Published source: *Government Finances: 1991-92* (Preliminary).

16-7
Exhibit:
7/1/92
Population
(thousands)

Statewide Ad Valorem Tax Levies: 1991 - 1995



Source: League of Kansas Municipalities, based on data from Div. of Accounts & Reports, January, 1993 and 1996. Out-District tuition figures for 1991 extrapolated based on 1992 allocation between county and out-district tuition amounts.

Statewide Ad Valorem Levies By Type of Taxing District for 1991 to 1995
(Amounts are expected in millions)

16-9
1991

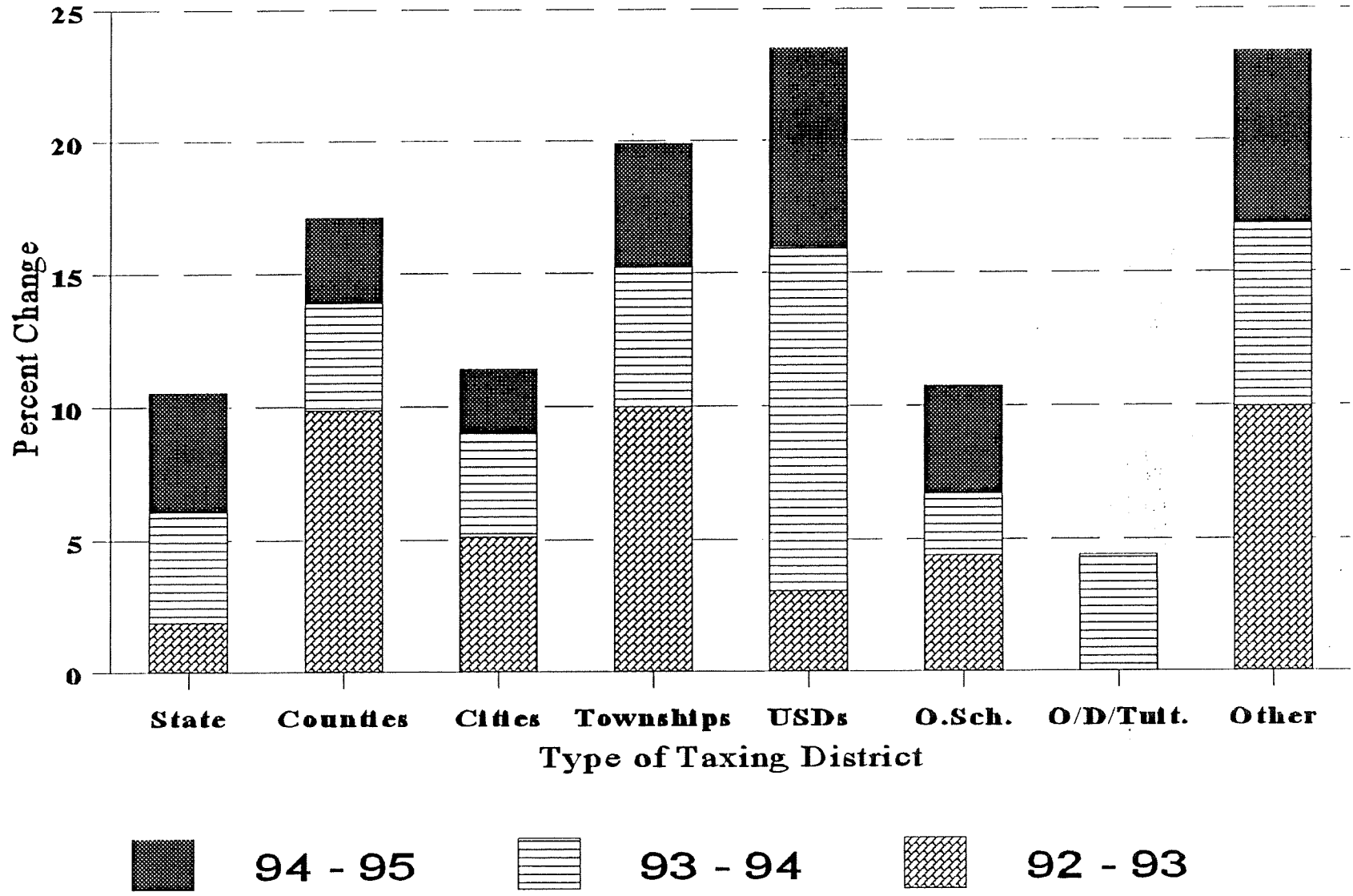
	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	Percent of <u>1995 Total</u>	Percent of Increase			
							<u>91-92</u>	<u>92-93</u>	<u>93-94</u>	<u>94-95</u>
State	21.95	21.90	22.31	23.24	24.29	1.26%	-0.21%	1.87%	4.21%	4.47%
County	384.3*	413.55	454.29	472.66	487.93	25.34%	7.61%	9.85%	4.04%	3.23%
City	260.61	271.42	285.32	296.60	303.52	15.76%	4.15%	5.12%	3.95%	2.33%
Township	23.44	24.05	26.45	27.83	29.14	1.51%	2.61%	9.98%	5.22%	4.71%
USD	987.24	709.68	731.33	825.80	888.15	46.12%	-27.01%	3.05%	12.92%	7.55%
Other Schools	82.97	92.35	96.42	98.66	102.61	5.33%	9.2%	4.41%	2.32%	4.00%
Out District Tuition	8.53*	9.18	8.14	8.50	7.79	0.40%	7.62%	-11.33%	4.42%	-8.35%
Other Districts	<u>63.6</u>	<u>65.60</u>	<u>72.12</u>	<u>77.08</u>	<u>82.14</u>	<u>4.27%</u>	3.12%	9.94%	6.88%	6.56%
Totals	<u>\$1,832.64</u>	<u>\$1,607.73</u>	<u>1,696.38</u>	<u>1,830.38</u>	<u>1,925.57</u>	<u>100.00%</u>				
Percent of Increase		-12.3%	5.5%	7.9%	5.2%					
CPI Increase		3.0%	3.0%	2.6%	3.0% Est					

The levy data was taken from the Department of Revenue's publication "Statistical Report of Property Assessment and Taxation" with adjustments by Kansas Legislative Research Department.

* 1991 data were reported for county only. Allocation between county and out-district tuition was done by League of Kansas Municipalities based on 1992 proration.

Division of Accounts and Reports
Municipal Services Team
January 1996
January 1993 (for 1991 data only)

Cumulative Percent Change In Statewide Ad Valorem Levies 1992 - 1995



Source: League of Kansas Municipalities, based on data supplied by Division of Accounts and Reports, January, 1996



MEMORANDUM

TO: Members of the House Taxation Committee

FROM: Donald R. Seifert, Management Services Director *MS*

SUBJECT: HCR 5044; Constitutional State and Local Spending Lid

DATE: March 13, 1996

On behalf of the city of Olathe, thank you for the opportunity to appear today in opposition to HCR 5044, a constitutional amendment that would impose an aggregate spending lid on state, county, and city government. On both philosophical and technical grounds, our governing body is particularly opposed to the local government provisions in this amendment.

Philosophically, HCR 5044 violates every fundamental principle of local home rule. This measure undermines thirty-five years of trust in the judgment of local officials, who are elected every two years to make hard decisions about local spending. The spending lid is also totally inconsistent with the state's position on interference from higher levels of government. State officials would be outraged if the federal government mandated a spending lid on state government. In addition, we believe a proposal with as many technical uncertainties as HCR 5044 should not be locked in the state constitution.

In addition to the home rule issue, a spending lid would make local government budgeting an administrative nightmare. Local expenditures do not necessarily follow a straight line index tied to personal income or sales tax receipts. For example, in a growing community like Olathe, opening of a new fire station, or deployment of additional police officers, often causes a "spike" in expenditure patterns. Transient guest tax expenditures may increase significantly from one year to the next based on the opening of a motel. The spending lid would apparently apply to local enterprise funds like our water and sewer utility. Utility expenditures can vary considerably from year to year based upon weather considerations. Under a spending lid, do we cut back on fire and police protection because the city had a hot dry summer the year before? A lid would tie budgets to an index that may have no relation to local needs and conditions.

There are many other technical concerns with HCR 5044. Many costs that are relatively uncontrollable are included in the proposed lid, including health care benefits, disaster recovery, and judgments. Are internal fund transfers, such as replacement accounts the city has established for motor vehicles and personal computers included in the lid? The proposal appears to exclude bond proceeds, but not debt service expenditures for new capital improvements. Why are federal mandates, but not state mandated spending excluded from the lid? The city recognizes that HCR 5044

includes procedures for exceeding the lid, but they appear all but unworkable to fit with the required local government budgeting cycle.

Finally, the city's opposition to a spending lid is based on the fact there is no demonstrated need for such a measure. There is little evidence to indicate that local spending decisions are unreasonable. Local government officials make their decisions under more public scrutiny than any other level of government. Local government general expenditures per capita are lower in Kansas than the average for our region and the United States. Furthermore, cities have had among the lowest rate of increase in ad valorem taxes of all levels of government between 1992-95. For example, to accommodate its growth, the city of Olathe's total expenditures increased at an average rate of 8% during 1992-95, even though its property tax mill rate declined by nearly 13% during the same time period. The city believes there is no evidence of need for this amendment with regard to cities.

When the House debated a similar spending lid measure last year, the provisions applicable to local government were removed. For the reasons outlined above, we would ask the Committee who handle HCR 5044 in the same manner.

rc



"Service to County Government"

March 13, 1996

TO: Members of House Taxation Committee
FROM: Nancy Hempen, ^{nh} President
Kansas Association of Counties
RE: HCR 5044

On behalf of the Kansas Association of Counties, please accept our comments as opposition to HCR 5044. The association opposes any lid that takes away local control or the ability to replace lost revenue beyond their control.

Among many issues, we believe a spending lid has direct effect on local capitol improvement projects as well as being regressive to any community economic development.

We do understand and respect that some individual county officials take a different position on this resolution, however, our associations legislative platform (which was voted on by the general membership in November) clearly opposes a spending lid.

Jayhawk Tower Office
700 SW Jackson, Suite 805 Topeka, KS 66
913/233-2271 FAX 913/233-4830

House Taxation
3-13-96
Attachment 18

Peterson Public Affairs Group

1200 SW 10th
Topeka, KS 66604

phone 913-233-7050
fax 913-233-3518

TO: House Taxation Committee
Rep. Phill Kline, Chairman

FROM: Wes Holt, President, Kansas County Commissioners Association
Anne Spiess, representing Kansas Association of Counties

DATE: Mar. 13, 1996

RE: HCR 5044

Thank you for the opportunity to submit testimony to the Committee. The Kansas County Commissioners Association (KCCA) and the Kansas Association of Counties (KAC) opposes HCR 5044.

KAC's member approved platform states that we oppose spending lids which is why we have concerns with this proposed legislation. The concerns are as follows:

*There is concern that the spending lid would greatly limit the counties' ability to quickly respond to the demands of the public, particularly in times of disaster.

*There is concern with the legislation's approach to bonds. Our understanding is that bond principal and interest is kept under the spending lid, therefore, local governments will have great difficulty in completing very costly sewer, water and street infrastructure improvements. This limitation creates a disincentive for economic development projects in communities.

*Another concern is that the spending lid is in the form of a constitutional amendment. We feel that the Kansas Constitution should not be changed until the impact of the amendment is completely understood.

*One last concern we would raise is that local officials ought to be trusted to do the job they were elected to do.

Thank you for your consideration. We urge the Committee to take no action on this bill.

George K. Baum & Company
INVESTMENT BANKERS

MEMBER
NEW YORK STOCK EXCHANGE, INC.
CHICAGO STOCK EXCHANGE, INC.

TWELVE WYANDOTTE PLAZA
120 WEST 12TH STREET
KANSAS CITY, MISSOURI 64105
TELEPHONE (816) 474-1100

March 11, 1996

Members of the House Taxation Committee
c/o Honorable Phill Kline, Chairman
State Capitol, Room 170-W
Topeka, Kansas 66612

RE: Proposed HCR5044, Constitutional State and Local Spending Lid Proposal

Dear Members of the Committee:

I am providing this brief testimony regarding HCR5044. Over the last fifteen years I have provided financial advisory services to more than 150 cities, counties, and school districts throughout the state of Kansas. I have worked with these jurisdictions on all forms of capital improvement projects and the subsequent issuance of bonds.

Currently, public jurisdictions in Kansas have the luxury of issuing bonds (and borrowing money) at interest rates that are slightly lower than national market averages. We have the ability to enjoy the savings that this yields, because Kansas statutes have long been recognized as progressive in the area of municipal finance, and have served as a model for other states throughout our nation.

Public jurisdictions, like any other large organizations, must struggle to operate efficiently in a very dynamic environment. Like other large organizations, flexibility is needed in order to accomplish efficiency. When rigid requirements such as those being proposed here are placed on public jurisdictions, the decision making process generally stalls out, is delayed, or is compromised in other ways. In the public sector, these practices produce deferred maintenance, crumbling infrastructure, and higher costs. One would only need look at other states which have adopted similar legislation to see this vividly.

Specifically, I would provide the following concerns regarding the legislation:

1. If bonds issued subsequent to the effective date of the amendment are included in the spending lid, the bonds "by definition" won't be secured by unlimited taxing powers. This produces a fundamental problem and would cause the interest rates which Kansas jurisdictions pay to borrow money to increase significantly.
2. In order to avoid the negative impacts of the spending lid, capital projects will almost without exception need to be submitted to an annual vote of the governing body or popular referendum. An annual vote of the governing body will not give sufficient

House Taxation
3-13-96
Attachment 20-1

comfort to the financial markets. A public referendum will be required. This will indirectly force that which the statutes do not directly require, which is that nearly all capital spending, no matter how insignificant, will need to be approved by voter referendum.

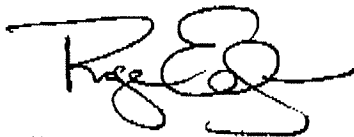
3. The three-fourths majority vote of the governing body required under the current proposal is misleading. Many governing bodies throughout the State, including nearly all county commissions, have only three to five members. In order to create a three-fourths majority, an 80%-100% majority will actually be required.

There are other provisions of this amendment which I would like to comment on, however in the interest of brevity I will conclude my comments by saying that, taken as a whole, I believe this legislation will create burdensome requirements on public jurisdictions, and will increase the costs of providing basic public services, not decrease them.

I appreciate this opportunity to submit my comments to the Committee, and thank you for your consideration.

Very truly yours,

GEORGE K. BAUM & COMPANY



Roger Edgar
Senior Vice President

RE:es



GREATER KANSAS CITY ♥
CHAMBER OF COMMERCE

Michael F. Morrissey
Chairman of the Board

March 12, 1996

The Honorable Phill Kline
Chairman
House Taxation Committee
Kansas State Capitol
Topeka, Kansas 66612

Dear Phill,

The Greater Kansas City Chamber of Commerce is an advocate for business at all levels of government. The legislative program represents the input and involvement of the members, with nearly 1,000 located in Kansas.

Today I am writing to convey this Chamber's opposition to HCR 5044. Although a constitutional amendment to restrict the spending of state and local governments might be tempting, it would have a tremendous impact on the ability of elected officials to adequately respond to state and local needs. It might also have the unintended consequence of encouraging additional spending under the guise of constitutional spending restraint.

Additionally, this Chamber has experienced first-hand the negative impact of the Hancock Amendment in Missouri and its local units of government.

The official position of the Greater Kansas City Chamber of Commerce is as follows;

The Chamber urges thorough review of the state's budget priorities and strongly urges legislative fiscal restraint and discipline. The Chamber strongly opposes, however, constitutional amendments that would limit the growth of state or local expenditure to increases in personal income or sales tax revenue.

We encourage you and the members of the House Committee on Taxation to vote no on this resolution. Thank you for your consideration.

Sincerely,

MFM/sar

House Taxation
3-13-96
Attachment 21