

Approved: J. Lawrence  
Date

## MINUTES OF THE SENATE COMMITTEE ON EDUCATION

The meeting was called to order by Chairperson Barbara Lawrence at 9:00 a.m. on March 17, 1997 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Ben Barrett, Legislative Research Department  
Carolyn Rampey, Legislative Research Department  
Avis Swartzman, Revisor of Statutes  
Jackie Breymeyer, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

Chairperson Lawrence called the meeting to order and asked for action on the minutes of March 6, 10, 11 and 12. Senator Umbarger moved approval of the minutes. Senator Oleen seconded the motion. The motion carried.

### **HB 2031**--enacting the education and tax reform act of 1997

The Chairperson stated that last week this bill came out of Senate Assessment and Taxation Committee and because it is the education funding bill, it is now in this Committee. She called on Chris Courtwright, Legislative Research Department, to brief the Committee on the amendments the Senate Assessment and Taxation Committee added to the bill.

Mr. Courtwright asked the Committee to refer to the Supplemental Note on the bill and follow through with him as he explained what had been done. He stated that the tax part of **HB 2031** represents the lion's share of the Governor's tax package proposed at the beginning of the session.

1. reduce the uniform school district general fund property tax levy from 33 to 29 mills for the 1997-98 school year and set the levy at 25 mills for the 1998-99 school year;

This was the Governor's recommendation.

2. enact refundable income and privilege tax credits beginning with tax year 1997 for 10 percent of property taxes paid on commercial and industrial machinery and equipment and on certain machinery and equipment associated with oil and gas production;

The Governor proposed a ten percent credit; the Senate Tax Committee and later the Senate added about \$600,000 FY 98 and \$1,000,000 FY 99 to the Governor's fiscal note by adding the oil and gas equipment to that provision. The Governor's proposal was \$11.2 million FY 98 and \$17 million FY 99 and thereafter. This particular provision which has already passed the Senate in another bill is \$11.8 in FY 98 and \$18 million in FY 99.

3. equalize over a three-year period the individual income tax rates for all other filers with the rates imposed on married individuals filing jointly;

The income tax rate differential was put in place in the 1988 Legislature. This was one of the Governor's recommendations.

4. enact beginning with tax year 1997 a nonrefundable income tax credit for adoption expenses equal to 50 percent of the amount of the credit allowable pursuant to section 23 of the federal Internal Revenue Code (alternative credits of \$3,000 would be provided for adoptions of children with special needs who are in the custody of SRS);

This is slightly different than what the Governor proposed, although the fiscal note is not different; \$3.8 million a year, the alternative credits for the SRS kids or special needs kids was put in the bill, either in Senate committee or on the Senate floor.

Mr. Courtwright clarified that he was not talking about a House Bill, but that the Senate has already done this in another bill.

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON EDUCATION, ROOM 123-S-Statehouse, at 9:00 a.m. on March 17, 1997.

5. exempt from the sales tax labor services associated with the reconstruction, restoration, remodeling, renovation, repair, or replacement of a building or facility;

This is the remodeling sales tax issue the Legislature got into over the last several years and this is a part of the tax as well.

6. expand the homestead property tax relief program such that individual refund amounts would be increased and the total household income eligibility ceiling would be increased from \$17,200 to \$25,000;

This is another of the Governor's recommendations.

7. expand the food sales tax refund program such that the individual refund amounts would be increased and the total household income eligibility ceiling would be increased from \$13,000 to \$25,000;

The individual refund amounts would be increased as well.

Mr. Courtwright went to page 3 of the Supplemental Note where there was a summarization of the fiscal note and stated that although he did not have the House version of the bill before him, the two most significant changes relative to what the House sent over are the inheritance tax removal which has not been removed from the bill, and the \$30,000 or \$40,000 single family residential exemption that was also in the bill. The House bill also proposed a 7 mill levy at 27 and 25 mills instead of 29 mills and 25 mills.

Those are the three biggest changes that came out of the Senate Assessment and Taxation Committee.

The remodeling sales tax fiscal note is \$24.4 million in FY 98. In the Governor's budget the \$28 million was not correct. It failed to take into account the fact that some sales tax receipts go into the highway fund and also they failed to lag the sales tax collection's figure for one month. The correct figure for FY 98 for the remodeling sales tax exemption is \$24.4 million, not the \$28 million dollar figure that is in the Governor's budget.

Mr. Courtwright went through the rest of the items through the adoption tax credit, stating the change in general fund receipts is \$56.5 million.

The homestead and food sales tax refund program enhancements are programs that are entitlements and are funded from the general fund; the homestead program would increase by \$5.8 million a year; food sales tax refund enhancements \$5.0 million a year. The reduction in the property tax local effort attributable to the cut in the mill levy from 29 and then 25 mills is \$40.5 million FY 98; \$89.3 million FY 99; and \$105.7 in FY 2000.

Mr. Courtwright finished with the Senate Tax portion and stated he would be glad to answer questions.

In response to a question on the current income tax credit, Mr. Courtwright stated that this had been removed and was worth \$12 million in FY 98 and \$18 million in FY 99. He believes that was a House floor amendment.

Mr. Courtwright was asked if he could provide a line by line comparison of the Governor's recommendations to show exactly what has happened. He replied that what is in this bill now is exactly what the Governor recommended except for the income tax credit on machinery and equipment, which is about a million dollars more because of the oil and gas amendment. The Governor also proposed repealing the insurance tax on annuities and that is now in Senate Assessment and Taxation Committee in another bill.

Mr. Courtwright stated he does have a table that compares all the tax bills that passed the House with the Governor's original recommendations.

Chairperson Lawrence stated that the review of the tax side of the bill was for informational purposes only, but hopefully will have some influence on what is done on the budget side.

Senator Downey passed out two papers entitled "House Bill 2031" (Attachment 1) and "State Democratic Caucus Proposal For Education" (Attachment 2) and stated the Committee must act as the advocate for educational funding and policy. She showed an article featuring Senator Hensley and cited a quote, "Don't pit the kids of Kansas against property tax." She would like to have the opportunity to take the best things for kids out of the Committee and run them against the funds for prisons or the Supplemental millions and see where the priorities are and not try to restrict what it is that is done in the Committee, but to do the best for kids. She hopes there will be an opportunity to amend the bill to reestablish the three provisions of at-risk, baby LOB and Van Crum plan. When the bill gets to the floor of the Senate, alterations can be made at that time if that is someone's prerogative.

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON EDUCATION, ROOM 123-S-Statehouse, at 9:00 a.m. on March 17, 1997.

The Chairperson stated that she could not recall the Education Committee not being an advocate for education. There may not be agreement on exactly what is needed, but she would take exception to the assumption that we are not advocating for education. She would also take exception to the assumption that the Governor is not advocating for education. He has been fair and helpful to education. If it is the wish of the Legislature to do some tax cutting, there will have to be a reasonable budget that will allow that to happen. Both sides of the aisle have been heard from as far as agreement to cut taxes. A responsible approach has to be taken on this to without hurting education. Money is not the only problem that education has or that is facing this committee. There will be no voting today. Mr. Barrett from Legislative Research will present information.

Mr. Courtwright stated that there is only one thing in the bill being addressed today tax-wise that has not already passed the Senate and that is the food sales tax refund expansion. The insurance tax on annuities has passed the House - **HB 2082** - and is now in Senate Assessment and Taxation Committee.

The comment was made about a coalition of 21 votes for any tax package. It should not be the assumption that this will probably be the tax package that will pass the Senate. It will simply be the mechanism that will be out there.

Another comment made was that, knowing the sense of the Senate and the Legislature, when that coalition is built, the numbers will probably be higher.

A further comment was made that if the Committee limits what its proposals are for education, the only hope is to take what needs to be done in Committee to match against those tax cuts and make decisions. There is no doubt of the Governor's advocacy for education, but there are millions of dollars allocated to be spent in certain ways. There should be a chance to balance these programs against how the other choices have been made to spend, including the tax cuts.

Ben Barrett, staff member, went through a sheet entitled, "School Finance-Comparisons", stating the top half of the sheet contains the substantive provision, while the bottom half contains the cost associated with those provisions. (Attachment 3) He went through Base State Aid Per Pupil, Correlation Weight 4th Step Acceleration, At Risk Weight, Declining Enrollment, Local/State Partnership Budget and Ancillary School Facilities Weight, and gave the Current Law, Governor **HB 2031** House Version, and **SB 182** Senate Education Committee (Status as of March 14). Part B Added Costs (in millions) showed Base State Aid Per Pupil at \$12.2 million and Correlation Weight 4th Step Acceleration \$9.8 million. The At Risk Weight is \$4 million a point so there are variations there based on At Risk Weight of \$4 million, \$6 million and \$10 million. The Local/State Partnership Budget is a little hard to quantify in terms of a specific number. The range has been estimated at \$6.4 million to \$12.8 million as the cost. The Ancillary School Facilities Weight, which has only been discussed with respect to **SB 182**, with costs based on current estimates, about \$7.4 million. The provision adopted in Committee calls for school districts who receive this weight to levy a property tax which would be sent to the state and deposited in the State School District Finance Fund and it would, in essence, offset the initial weight of those districts who receive the Ancillary School Facilities Weight.

Mr. Barrett was asked how this would reflect in the total if it was figured actually - what would be spent in FY98?

He replied in FY 98 the figure would be \$7.4 million. The local districts would receive that in the form of a pupil weight and they would contribute to the state through the local property tax a sum that would offset that amount.

A member commented that in adding everything up it would come out of the budget, but the money would have been collected locally and not be a added burden to the state general fund.

Mr. Barrett stated that was why he put the footnote in bold type at the bottom of the page. It is really an expenditure of state funds for that weight, but the source would be the local property tax. Olathe and Blue Valley would be the recipients of that.

Mr. Barrett said this information is a comparison of FY 98. In the version of **SB 182**, there was also a provision for FY 97, the current year, to respond to the Public Law 874 issue that was discussed. If this provision was adopted, it would be \$1.2 million FY 97 to solve that problem.

The Chairperson stated that the Committee should look at the chart and the Supplemental Note and be ready to begin discussion on the bill tomorrow.

The meeting was adjourned. The next meeting is scheduled for March 18, 1997.

# SENATE EDUCATION COMMITTEE GUEST LIST

DATE: March 17, 1997

NAME	REPRESENTING
Jim Allen	KEG
Jacque Dakes	S&F
Jim Yonally	USD #572
Patrick Hurley	KCC/KRC
Martin Hawver	Hawver's Capitol Report
Tim Potter	Wichita Eagle
Mike Beem	Ks Livestock Assn.
Frances Kastner	Ks Food Dealers Assn
Rolin Lukman	Olathe USD 233
Pat Lukman	" " "
Craig Grant	KWEA
Meggan Griggs	KAAUTS
Leslie Kaufman	Ks Farm Bureau
Tina DeLaRosa	KACHA
Ashley Sherard	O.P. Chamber
Doug Bowman	CCECDS
Mary Devin	USD 475
Mark Tallman	KASB
Dorothy Keckfeller	LOWV



# House Bill 2031

## Support Current Provisions of Bill:

- 1) Accelerate Correlation Weighting Phase-In
- 2) Add \$22 to the BSAPP
- 3) Increase at-risk weighting from .05 to .065
- 4) Add the declining enrollment provision

## Amendments already passed by Education Committee:

- Amendment #1**                      Increase at risk weighting, but follow the special committee on school finance recommendation for an increase from .05 to .075.
- Amendment #2**                      Baby local option budget to allow school districts to adopt a 5% LOB without protest petition for the purpose of paying for mandated special education costs.
- Amendment #3**                      "Vancrum plan" to allow start up costs for opening schools.

*Senate Education*  
*3-17-97*  
*Attachment 1*

# SENATE DEMOCRATIC CAUCUS PROPOSAL FOR EDUCATION

## SUPPORT GOVERNOR'S PLAN WITH ENHANCEMENTS

Total Cost of Proposal: **\$22 million over governor's recommendation for education**

The Plan:

- \$6.0 Million•** **Support Governor's Plan** to increase at risk weighting, but follow the special committee on school finance recommendation for an increase from .05 to .075.
- \$10.0 Million•** **Support Governor's Plan** for increase in funding for special education excess costs, but bring up to 85% of excess costs.
- \$6.0 Million•** Add the declining enrollment provision recommended by the special committee on school finance. The Governor has indicated he would support this.

### **THE BALANCING ACT:**

- The "small" school districts will receive:
  - 1) Increased funding because of the increase in the base, which in turn will increase low enrollment weighting provision
  - 2) Increased funding due to special education increase
  - 3) Increased funding because of the increase in at-risk weighting provision
  - 4) Increased funding because of the declining enrollment provision

### **EVERYBODY BENEFITS**

- The "medium and large" school districts will receive:
  - 1) Increased funding due to an increase in the base
  - 2) Increased funding due to special education increase
  - 3) Increased funding because of the increase in the at-risk weighting provision
  - 4) Increased funding because of the guarantee of the acceleration of the correlation weighting provision

*Senate Education*  
*3-17-97*  
*Attachment 2*

# SCHOOL FINANCE FORMULA – COMPARISONS

FY 1998

(Does Not Include Property Tax Change Provisions)

## A. Substantive Provisions

	Current Law	Governor	H.B. 2031 House Version	S.B. 182 Senate Education Committee (Status as of March 14)
BSAPP	\$ 3,648	\$ 3,670	\$ 3,670	\$ 3,670
Correlation Weight 4th Step Acceleration	NA	Yes	Yes	Yes
At Risk Weight	5.0%	6.0%	6.5%	7.5%
Declining Enrollment	NA	No	Yes	No
Local/State Partnership Budget	NA	No	No	Yes @ 5.0%
Ancillary School Facilities Weight	NA	No	No	Yes

## B. Added Costs (in millions)

	Current Law	Governor	H.B. 2031 House Version	S.B. 182 Senate Education Committee (Status as of March 14)
BSAPP	NA	\$ 12.2	\$ 12.2	\$ 12.2
Correlation Weight 4th Step Acceleration	NA	9.8	9.8	9.8
At Risk Weight	NA	4.0	6.0	10.0
Declining Enrollment	NA	NA	6.0	NA
Local/State Partnership Budget	NA	NA	NA	6.4 to 12.8
Ancillary School Facilities Weight	NA	NA	NA	7.4*
<b>Total Added Costs</b>	<b>NA</b>	<b>\$ 26.0</b>	<b>\$ 34.0</b>	<b>\$45.8 to \$52.2</b>

\* Increased General State Aid offset by property tax remittance from recipient school districts. Estimate is based on \$1.8 million for Olathe and \$5.6 million for Blue Valley.

Note: The current version of S.B. 182 includes a new facilities weight of 33.0 percent—applicable to Olathe (USD 233) and Blue Valley (USD 229)—for an FY 1997 cost of \$1.2 million.

Prepared for Senator Barbara Lawrence, Chairperson,  
Senate Committee on Education  
Kansas Legislative Research Department  
March 14, 1997

0020287.01(3/14/97)(8:43AM)

*Senate Education*  
*3-17-97*  
*Attachment 3*