

Approved January 25, 2001
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Chairman John Edmonds at 9:00 a.m. on January 17, 2001 in Room 519-S of the Capitol.

All members were present.

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor
Winnie Crapson, Secretary

Conferees appearing before the committee: Ben F. Barrett, Director
Legislative Research Department

Others attending: See attached list.

The Chairman opened the meeting at 9:00 a.m. for bill introductions.

By unanimous consent bill will be introduced for elimination of sales tax for oil and gas machinery and equipment as requested by Robert Krehbiel representing Kansas Independent Oil and Gas Association. [HB 2062 - Sales tax exemption for oil and gas machinery]

By unanimous consent bill will be introduced for elimination of severance tax on coal and oil as requested by Robert Krehbiel representing Kansas Independent Oil and Gas Association. [HB 2066 - Elimination of severance tax on coal and oil]

By unanimous consent bill will be introduced on property tax valuation not including special assessment added to the sales price as requested by Janet Stubbs on behalf of the Kansas Building Industry Association. [HB 2064 - Fair market value determination for property tax purposes not inclusive of special assessments]

By unanimous consent bill will be introduced relating to excise tax on development activity as requested by Janet Stubbs on behalf of the Kansas Building Industry Association. [HB 2092 - City and County development activity excise tax act]

By unanimous consent bill will be introduced relating to property tax on business machinery and equipment as requested by Hal Hudson on behalf of the National Federation of Independent Business. [HB 2091 - Property tax exemption amount increased on business machinery, equipment and supplies]

By unanimous consent bill will be introduced for exemption from taxation of personal property when owned by community colleges as requested by Representative Morrison. [HB 2063 - Property tax exemption for dormitory personal property]

By unanimous consent bill will be introduced for exemption from sales tax of grain storage facilities as requested by Representative Larkin. [HB 2065 - Sales tax exemption for grain storage facilities]

Ben F. Barrett, Director of the Legislative Research Department, explained the School Finance Formula-The Revenue Side to the Committee (Attachment #1). Mr. Barrett responded to questions from members of the Committee and provided Selected School Finance Data on annual USD Total and Operating Budget Expenditures since 1984-85 (Attachment #2).

The meeting was adjourned at 10:27 a.m. Next scheduled meeting is January 18.

GUEST LIST

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NAME	REPRESENTING
Tom Barvo	GRBA
PHIL HURLEY	PAT HURLEY & Co.
LISA Becker	SRS
Richard Crum	KDOR
Mark Shreve	KIOGA
Bob Krehbiel	KIOGA
Craig Grant	HWERA
Stacey Farmer	KASB
✓ Mike Orr	Pinegar Smith
Hal Hudson	NFIB/KS
Erik Sartorius	K.C. Regional Assoc. of Realtors
Karen France	KAR
BILL YANEK	KAR
George Peterson	Ks Taxpayers Network
Elaine Frisbie	Div. of Budget
Marlee Carpenter	KEET
✓ LINDSAY UNKSW	Governor's Office
Kath Danna	Waddell & Reed
Jacob Lwisher	Rep. Mary Cook
Jane Stubbs	Ks. Bldg. Ind. Assn.
Bill Miller	Kansas Farm Bureau

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RE: School Finance Formula—The Revenue Side

This presentation targets the revenue side for public school financing for general operations. This means the focus is on the school district General Fund Budget (GFB) and the Local Option Budget (LOB).

- What is it that the revenue supports?
 - The GFB which is enrollment driven—BSAPP times weighted enrollment, and
 - The LOB, determined locally, in an amount not to exceed 25.0 percent of the GFB.

SCHOOL DISTRICT GFBs—THE REVENUES

Underlying Principle:

- School districts receive certain revenues described as “local resources.” The difference between the sum of these local resources and the district’s GFB is state aid.

Local Resources: State Total Estimate for the 2000-01 School Year

Source	Estimated Amount (in millions)
● Uniform Property Tax (20 Mills/\$20,000 Residential Exemption)	\$360.6
● Federal Impact Aid @ 75.0 Percent	8.5
● Unspent Balances from Prior Year (General, Transportation, Bilingual and Vocational Education Funds)	2.5
● Mineral Production Tax Receipts	
● Industrial Revenue and Port Authority Bond in Lieu of Tax Payments	2.5
● Tuition Paid on Behalf of Nonresident Pupils	
Subtotal	374.1
● Less: Remitted Local Effort	(4.5)
TOTAL: LOCAL RESOURCES	\$369.6

State Aid Computation

	<u>Estimated Amount (in millions)</u>
Sum of GFBs	\$2,188.9
LESS: Local Resources	<u>369.6</u>
TOTAL GENERAL STATE AID	\$1,819.3
Total General State Aid	\$1,819.3
LESS:	
State School District Finance Fund	
Excess Local Effort	4.5
Ancillary School Facilities Levy	<u>11.9</u>
Subtotal	16.4
Children's Initiative Fund (Tobacco Money)	<u>1.0</u>
TOTAL STATE AID FROM STATE GENERAL FUND	<u><u>\$1,801.9</u></u>

Important Note: Both the uniform tax rate and the residential exemption must be re-enacted by the 2001 Legislature if they are to apply in the 2001-02 school year. If the 2001 Legislature does not act in this area, there will be no 2001 tax year property tax contribution to funding of the school district general fund budget.

ATTACHMENT

The Kansas Supreme Court, in 1994, confirmed a Shawnee County district court ruling that the uniform mill rate constitutes a "state" property tax levy and, as such, the tax cannot be imposed for a period in excess of two years. Shown below is a history of this tax rate throughout the life of the school finance program.

History of Uniform General Fund Mill Rate

<u>Tax Year</u>	<u>Rate (mills)</u>
1992	32
1993	33
1994	35
1995	35
1996	35
1997	27*
1998	20*
1999	20*
2000	20*

* Plus \$20,000 residential property appraised valuation exemption.

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EXHIBIT

**FORMULA FOR COMPUTING SUPPLEMENTAL
GENERAL STATE AID FOR THE LOCAL OPTION BUDGET**

District Assessed Valuation Per Pupil (Prior Year)	subtracted from	1.0	times	District's Local Option Budget	equals	Supplemental General State Aid
75th Percentile Assessed Valuation Per Pupil (Prior Year)						

Supplemental General State Aid is based on an equalization principle which is designed to treat each school district as if its assessed valuation per pupil (AVPP) were equal to that of the district at the 75th percentile of AVPP. Under this formula, districts having AVPP above the 75th percentile receive no supplemental general state aid.

EXAMPLES

DISTRICT 1		DISTRICT 2	
Prior Year District AVPP	\$30,000	Prior Year District AVPP	\$70,000
Prior Year 75th Percentile AVPP	\$47,876*	Prior Year 75th Percentile AVPP	\$47,876*
so		so	
<u>\$30,000</u>	equals 0.6266	<u>\$70,000</u>	equals 1.4621
\$47,876		\$47,876	
	then		
	1.0000		
minus	<u>0.6266</u>		
equals	0.3734 State Aid Ratio		
	then		
	\$500,000 LOB		
times	<u>0.3734</u> State Aid Ratio		
equals	\$186,700 Supplemental General State Aid		

If the result equals or exceeds 1.0, the district receives no supplemental general state aid. 1.5090 exceeds 1.0, therefore the district receives no supplemental general state aid.

* Preliminary estimate.

SCHOOL DISTRICT LOB—THE REVENUE

Underlying Principle:

- School district LOBs are funded principally by local resources, mainly the property tax. The Legislature has created a state aid formula designed to equalize the ability of school districts with varying per pupil property wealth to access the LOB.
- The law limits a school district's LOB spending authority but not property tax levying authority.

LOBs for the 2000-01 School Year

	Estimated Amount <u>(in millions)</u>
Local Resources:	
Property Tax (Rate Varies by District)	\$251.2
Motor/recreational Vehicle Tax	28.9
Other (Balances, IRBs, Interest, Etc.)	10.4
Supplemental General State Aid	<u>84.5</u>
TOTAL EXPENDITURES	<u><u>\$375.0</u></u>

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SELECTED SCHOOL FINANCE DATA
(Amounts in Thousands)

USD TOTAL AND OPERATING BUDGET EXPENDITURES

CPI-U Adjusted to 1984-85

School Year	Total Expenditures (a)	Operating Budget (b)	Total Exp. % Increase Over Prior	Operating % Increase Over Prior	CPI-U Adjusted to 1984-85		Total Exp. % Increase Over Prior	Operating % Increase Over Prior	EXHIBIT 1 Bond and Interest Payments (c)
					Total Expenditures (a)	Operating Budget (b)			
Bgt. 2000-01	3,710,491	2,563,863	12.3	3.3	2,249,685	1,554,480	9.0	0.3	206,844
1999-00	3,302,692	2,480,829	4.6	3.4	2,063,939	1,550,335	1.6	0.4	183,410
1998-99	3,158,047	2,400,250	6.1	4.7	2,031,133	1,543,747	4.3	2.9	163,272
1997-98	2,975,138	2,292,166	4.7	4.1	1,946,627	1,499,760	2.9	2.3	145,681
1996-97	2,840,462	2,202,554	3.3	3.2	1,891,258	1,466,521	0.4	0.3	130,555
1995-96	2,750,796	2,135,179	3.7	2.5	1,883,717	1,462,148	1.0	(0.2)	121,245
1994-95	2,651,888	2,082,484	3.5	2.2	1,865,490	1,464,939	0.6	(0.7)	99,447
1993-94	2,561,481	2,037,637	4.6	2.2	1,853,657	1,474,569	1.9	(0.4)	81,958
1992-93	2,449,981	1,993,408	10.7	12.1	1,819,004	1,480,018	7.4	8.8	67,614
1991-92	2,212,273	1,777,469	5.9	4.5	1,693,622	1,360,754	2.6	1.3	68,536
1990-91	2,088,721	1,700,792	4.7	4.8	1,650,386	1,343,867	(0.7)	(0.6)	64,730
1989-90	1,995,836	1,622,302	8.6	7.6	1,662,673	1,351,492	3.6	2.7	62,988
1988-89	1,837,710	1,507,183	8.7	6.6	1,604,206	1,315,677	3.8	1.9	55,456
1987-88	1,691,066	1,413,664	5.3	5.7	1,545,033	1,291,586	1.1	1.5	54,520
1986-87	1,606,420	1,336,841	3.0	4.4	1,528,410	1,271,922	0.8	2.2	48,031
1985-86	1,559,061	1,280,427	8.0	8.9	1,516,072	1,245,121	5.1	5.9	45,960
1984-85	1,443,040	1,175,623	NA	NA	1,443,040	1,175,623	NA	NA	49,261

FULL-TIME EQUIVALENT PUPIL AMOUNTS

School Year	Total Expend. Per FTE	Total Expend. Per FTE W/O B&I	Operating Budget Expend. Per FTE	% Increase:		% Increase:	
				Total Expend. Per FTE	Total Expend. Per FTE W/O B&I	Operating Budget Expend. Per FTE	Operating Budget Expend. Per FTE
Bgt. 2000-01	8,288	7,826	5,727	12.6	12.6	3.6	3.6
1999-00	7,362	6,953	5,530	4.7	4.2	3.4	3.4
1998-99	7,035	6,671	5,347	6.1	5.8	4.6	4.6
1997-98	6,632	6,307	5,109	4.1	3.8	3.4	3.4
1996-97	6,372	6,079	4,941	2.5	2.3	2.4	2.4
1995-96	6,217	5,943	4,826	3.3	2.6	2.1	2.1
1994-95	6,018	5,792	4,726	2.7	2.1	1.4	1.4
1993-94	5,859	5,671	4,661	3.1	2.7	0.8	0.8
1992-93	5,680	5,523	4,622	9.1	9.4	10.4	10.4
1991-92	5,209	5,047	4,185	3.8	3.8	2.5	2.5
1990-91	5,016	4,861	4,085	3.0	3.0	3.1	3.1
1989-90	4,872	4,718	3,960	7.4	7.3	6.5	6.5
1988-89	4,535	4,399	3,720	7.6	7.8	5.5	5.5
1987-88	4,216	4,080	3,525	4.0	3.7	4.4	4.4
1986-87	4,055	3,934	3,375	1.4	1.3	2.7	2.7
1985-86	4,001	3,883	3,286	7.3	7.8	8.2	8.2
1984-85	3,728	3,601	3,038	NA	NA	NA	NA

FULL-TIME EQUIVALENT PUPIL AMOUNTS—CPI-U ADJUSTED TO 1984-85

School Year	Total Expend. Per FTE	Total Expend. Per FTE W/O B&I	Operating Budget Expend. Per FTE	% Increase:		% Increase:	
				Total Expend. Per FTE	Total Expend. Per FTE W/O B&I	Operating Budget Expend. Per FTE	Operating Budget Expend. Per FTE
Bgt. 2000-01	5,025	4,745	3,472	9.2	9.2	0.5	0.5
1999-00	4,601	4,345	3,456	1.7	1.3	0.5	0.5
1998-99	4,524	4,291	3,439	4.3	4.0	2.9	2.9
1997-98	4,339	4,127	3,343	2.3	2.0	1.6	1.6
1996-97	4,243	4,048	3,290	(0.3)	(0.5)	(0.4)	(0.4)
1995-96	4,257	4,070	3,305	0.6	(0.1)	(0.6)	(0.6)
1994-95	4,233	4,074	3,324	(0.2)	(0.7)	(1.4)	(1.4)
1993-94	4,240	4,104	3,373	0.5	0.1	(1.7)	(1.7)
1992-93	4,217	4,101	3,431	5.8	6.1	7.1	7.1
1991-92	3,987	3,864	3,204	0.6	0.6	(0.7)	(0.7)
1990-91	3,964	3,841	3,227	(2.3)	(2.3)	(2.2)	(2.2)
1989-90	4,059	3,931	3,299	2.5	2.4	1.6	1.6
1988-89	3,959	3,840	3,247	2.8	3.0	0.8	0.8
1987-88	3,852	3,728	3,220	(0.2)	(0.4)	0.3	0.3
1986-87	3,859	3,743	3,211	(0.8)	(0.9)	0.5	0.5
1985-86	3,890	3,776	3,195	4.3	4.8	5.2	5.2
1984-85	3,728	3,601	3,038	NA	NA	NA	NA

SOURCE OF DATA: State Department of Education

NOTE: FTE data are unweighted full-time equivalent numbers. Postsecondary enrollments in Type 1 area vocational schools are not included. Expenditure data do not include the state contribution to KPERS on behalf of school employers. These figures do not appear in USD budgets. For the years 1984-85 through 1991-92, Ft. Leavenworth enrollment and budget have been included even though the district was covered under the School District Equalization Act, but was funded separately.

a) Excludes recreation commissions (including employee benefits), historical museum, public library, and transfers. Includes Type 1 area vocational schools operated by USDs. Does not include interlocal cooperatives or unbudgeted federal funds.

b) Includes the school district general fund in 1984-85 through 1991-92 and the general fund and supplemental general fund (combined) in 1992-93 through budgeted 2000-01. For comparative purposes, the 1991-92 general fund budget figure traditionally has been "adjusted" to be comparable with the subsequent years. For this table, data for 1984-85 through 1990-91 also have been adjusted to make them more nearly comparable to 1991-92 through budgeted 2000-01.

c) Included in total.

It is important to remember that budgeted data include some amounts that will not be spent during the fiscal year. This is especially the case in the capital outlay fund where money often is accumulated for several years in order to make major expenditures.

Kansas Legislative Research Department and State Department of Education