

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:45 a.m. on January 22, 2001, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Janet Stubbs, Kansas Building Industry Association
Marlee Carpenter, Kansas Retail Council
Doug Wareham, Kansas Grain and Feed Association
Kansas Fertilizer and Chemical Association
Ben F. Barrett, Director, Legislative Research Department

Others attending: See attached list.

Janet Stubbs, Kansas Building Industry Association, requested the introduction of two bills. The first would eliminate the practice by some county appraisers of adding the cost of special assessment debt to the sale price of the vacant lot to establish the value for tax purposes. The second would establish a method for local units of government to follow before implementing an excise tax. (Attachment 1)

Senator Lee moved to recommend the introduction of both bills as requested by Ms. Stubbs, seconded by Senator Praeger. The motion carried.

Marlee Carpenter, Kansas Retail Council, requested the introduction of a bill establishing a state sales tax holiday the first Saturday and Sunday in August for back to school shopping. She explained that only clothing, footwear, computer equipment, and computer software would be exempt from state sales tax, and the items must be under \$500.00 in value to qualify for the exemption.

Senator Donovan moved to recommend the introduction of a bill providing for a state sales tax holiday as proposed by Ms. Carpenter, Seconded by Senator Goodwin. The motion carried.

Doug Wareham requested the introduction of two bills. He requested the first proposed bill on behalf of the Kansas Grain and Feed Association. The bill would make permanent the sales tax exemption for on-farm and commercial grain storage facilities. Mr. Wareham noted that the most recent exemption expired December 31, 2000, and the proposed bill would make the exemption retroactive to January 1, 2001. (Attachment 2) Mr. Wareham requested the second proposed bill on behalf of the Kansas Fertilizer and Chemical Association. The bill would establish a sales tax exemption for precision farm machinery and equipment. Mr. Wareham explained that the model language included in his handout comes from the State of Illinois. (Attachment 3)

Senator Jenkins moved to recommend the introduction of both bills proposed by Mr. Wareham, seconded by Senator Taddiken. The motion carried.

Senator Taddiken moved to recommend the introduction of a bill providing a tax credit for investments in certain agricultural cooperatives, seconded by Senator Lee. The motion carried.

Ben F. Barrett, Director, Legislative Research Department, followed with a presentation on the revenue side of the school finance formula. He discussed the underlying principles for the school district's General Fund Budget (GFB) and the school district's Local Option Budget (LOB). (Attachment 4) At the outset, Mr. Barrett noted that the GFB of school districts is determined by taking the base state aid per pupil number and

CONTINUATION SHEET

multiplying it by the weighted enrollment of the district. The LOB is an amount determined under statutory provisions by local school boards, and the amount may be an amount up to 25 percent of the GFB. Following his presentation, Mr. Barrett agreed to furnish more information concerning the amount of spending per pupil per school district as requested by committee members.

Senator Praeger moved that the minutes of the January 17, 2001, meeting be approved, seconded by Senator Goodwin. The motion carried.

The meeting was adjourned at 11:35 a.m.

The next meeting is scheduled for January 23, 2001.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: January 22, 2001

NAME	REPRESENTING
Bob Corkins	Ks. Public Policy Institute
John Walker	City of CLEARWATER / KNEA
Ed O'Malley	Overland Park Chamber of Commerce
Jacque Oakes	SQE
John Bruno	KGCOA
Stacey Farmer	KASB
Michael White	Kezney Law office
Kimberly Guice	KNEA
Doug Smith	Pinegar-Smith Company LLC
Bill Brady	Ks Govt Consulting
John Fredenick	Bering
Kelly Kuetala	City of Overland Park
Marlee Carpenter	KRC
Lodd Johnson	KLA
Diane Ajerstad	Wichita Public Schools
Doug Wareham	KGFA / KFOA
John Cowby	DOB
Dan Holton	WResource
Karl Peterpau	Ks Taxpayers Network

TESTIMONY
of
KANSAS BUILDING INDUSTRY ASSOCIATION

My name is Janet Stubbs appearing today on behalf of the Kansas Building Industry Association to request introduction of 2 bills.

The first is intended to eliminate the practice by some county appraisers of adding the cost of special assessment debt to the sale price of the vacant lot to establish the value for tax purposes. Three cases have been decided by the BOTA in favor of the taxpayer but the practice continues and we are told will until a higher court or the Legislature makes a determination.

The second bill is the same as SB 474 of the 2000 Session and establishes a method for local units of government to follow before implementing an Excise Tax. It is not a prohibition of implementation but requires a justification of the tax for the service.

*Senate Assessment & Taxation
1-22-01
Attachment 1*

Bill Introduction Request

January 22, 2001

Presented to the Senate Assessment and Taxation Committee
Senator David Corbin, Chair

- The Kansas Grain and Feed Association (KGFA) respectfully requests the introduction of legislation that would make permanent the sales tax exemption for on-farm and commercial grain storage facilities. Most of you will recall that a special sales tax exemption for the construction or refurbishment of grain storage facilities was adopted for each of the last two calendar years. The most recent exemption expired on December 31, 2000.
- KGFA is currently working with Kansas Farm Bureau, Kansas Livestock Association, Kansas Association of Wheat Growers, Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association in support of this issue.

Suggested Language:

K.S.A. 3606 (eee) on and after January 1, 1999, ~~and before January 1, 2001~~, all sales of materials and services purchased for the original construction, reconstruction, repair or replacement of grain storage facilities, including railroad sidings providing access thereto.

Presented by:

Doug Wareham
Vice President, Government Affairs
Kansas Grain & Feed Association
816 SW Tyler
Topeka, Kansas 66612
(785) 234-0461

Senate Assessment & Taxation
1-22-01
Attachment 2

Bill Introduction Request

January 22, 2001

Presented to the Senate Assessment and Taxation Committee
Senator David Corbin, Chair

- The Kansas Fertilizer and Chemical Association respectfully requests the introduction of legislation that would establish a sales tax exemption for precision farm machinery and equipment. Mr. Chairman, I do have a copy of legislation adopted by the State of Illinois last year, which I would like to submit as model language. For the benefit of the committee, I would simply mention that some of the machinery and equipment items this exemption would include are soil testing equipment, computer sensors, computer monitors, global positioning software and hardware systems utilized primarily for the practice of precision farming.

Suggested Language:

K.S.A. 3606 (t) all sales of farm machinery and equipment or aquaculture machinery and equipment, repair and replacement parts therefor and services performed in the repair and maintenance of such machinery and equipment. For the purposes of this subsection the term "farm machinery and equipment or aquaculture machinery and equipment" shall include machinery and equipment used in the operation of Christmas tree farming but shall not include any passenger vehicle, truck, truck tractor, trailer, semitrailer or pole trailer, other than a farm trailer, as such terms are defined by K.S.A. 8-126 and amendments thereto. Each purchaser of farm machinery and equipment or aquaculture machinery and equipment exempted herein must certify in writing on the copy of the invoice or sales ticket to be retained by the seller that the farm machinery and equipment or aquaculture machinery and equipment purchased will be used only in farming, ranching or aquaculture production. Farming or ranching shall include the operation of a feedlot and farm and ranch work for hire and the operation of a nursery; *Farm machinery and equipment shall include precision farming equipment that is installed or purchased to be installed on farm machinery and equipment including, but not limited to, tractors, implements of husbandry, harvesters, sprayers, planters, seeders, or spreaders. Precision farming equipment includes, but is not limited to, soil testing sensors, computers, monitors, software, global positioning and mapping systems, and other such equipment. Farm machinery and equipment also includes computers, sensors, software, and related equipment used primarily in the computer-assisted operation of production agriculture facilities, equipment, and activities such as, but not limited to, the collection, monitoring, and correlation of animal and crop data for the purpose of formulating animal diets and agricultural chemicals.*

Presented by:

Doug Wareham
Vice President, Government Affairs
Kansas Fertilizer and Chemical Association
816 SW Tyler
Topeka, Kansas 66612
(785) 234-0461

Senate Assessment & Taxation
1-22-01
Attachment 3

PREPARED FOR SENATE COMMITTEE ON ASSESSMENT AND TAXATION

January 22, 2001

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 <i>(recapture)</i>	(4.5)
TOTAL: LOCAL RESOURCES	\$369.6

Senate Assessment & Taxation
1-22-01
Attachment 4

State Aid Computation

	Estimated Amount (in millions)
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.

EXHIBIT
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
 (in millions)

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	84.5

TOTAL EXPENDITURES

\$375.0

TOTAL EXPENDITURES	<u><u>\$375.0</u></u>

EXHIBIT

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

*property values
equalization formula*

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.