

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson David Corbin at 10:40 a.m. on January 31, 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: Mark Tallman, Kansas Association of School Boards
Karl Peterjohn, Kansas Taxpayers Network
Karen France, Kansas Association of Realtors

Others attending: See attached list.

The minutes of the January 30, 2001, meeting were approved.

Senator Lee moved for the introduction of a conceptual bill concerning the issue of appraisal judgment as recommended in the agricultural land use value study conducted by the National Association of Assessing Officers, seconded by Senator Clark. The motion carried.

SB 68—Property taxation; concerning the exemption of residential property from school levies.

SB 69—Reauthorizing the school district property tax levy.

Mark Tallman, Kansas Association of School Boards, presented combined testimony on **SB 68** and **SB 69**. He maintained that state funding for education is not adequate for the needs of schools and the children they serve. He then discussed the following points which he felt the Committee should keep in mind: (1) The current levy must be maintained, (2) The trend of underfunding base support for school districts and forcing local boards to make to make up the difference by raising local option budgets must be reversed, (3) The need for provision of additional state revenue for competitive salaries for school district employees, (4) The adoption of a balanced tax policy at the state level to assure adequate funding for every child in every district, and (5) The extension of the current statewide levy and adopting the Governor's budget proposal for education will not avoid a tax increase. In conclusion, Mr. Tallman called attention to an attachment to his written testimony itemizing four challenges to the quality of the Kansas school system. (Attachment 1)

Karl Peterjohn, Kansas Taxpayers Network, testified in support of **SB 68**. He noted that the \$20,000 homestead exemption on appraised value for the statewide mill levy was an important point in the enactment of tax cutting legislation four years ago and strongly urged that the exemption be retained. He expressed concern that the exemption could lapse because of the sunset provision and urged the Committee to approve extending the exemption permanently. (Attachment 2)

Mr. Peterjohn followed with testimony in opposition to **SB 69**. He noted that the bill would extend the state's existing statewide 20 mill property tax levy into the next two fiscal years and that, with appraisal rapidly growing, this tax is generating a growing amount of revenue each year. The Kansas Taxpayers would like to limit statewide property tax increases, and, where possible, the Network would like to roll back taxes which are particularly burdensome. He noted that, according to federal figures, state taxes in Kansas are higher than in all of the surrounding states. He contended that, if state spending growth could be limited to \$150 million to \$200 million a year, there would be funds for improving the state's poor position on taxing its citizens. In conclusion, he commented that rolling back the statewide mill levy would benefit all taxpayers. (Attachment 3)

CONTINUATION SHEET

Karen Franz, Kansas Association of Realtors (KAR), testified in support of **SB 68**. She noted that it has been KAR's longstanding position that real estate is burdened with an excessive share of the constantly increasing cost of state and local government. KAR believes real estate taxes should be used only to pay for state and local governmental services that are rendered to real estate. She urged that the state work for the restructuring of taxes to relieve the inequitable real property tax burden and at the same time not unfairly shift the tax burden to any tax paying entity. Ms. Franz commented that property ownership is no longer an indication of the ability to pay. She said that the exemption of residential property from the statewide mill levy for schools created a cushion for residential property taxpayers who have the least amount of control over their income. (Attachment 4)

There being no others wishing to testify, the hearings on **SB 68** and **SB 69** were closed.

Senator Clark began a discussion regarding the state's receipt of funds in excess of the previous year's statewide property tax levy. Senator Corbin explained related "truth in taxation" legislation concerning cities and counties which passed during the 2000 Legislative Session. That legislation provided that, any time a local government raises more money than the previous year through property valuation and the mill levy remains the same, the local citizens must be informed from where the excess money came.

Senator Clark moved to conceptually amend **SB 69** to require the legislature to adopt a resolution when the school levy rate produces more revenue than the preceding year and, if such adoption does not occur, to roll back the mill levy, seconded by Senator Pugh.

For clarification purposes, Senator Allen suggested that the revisor prepare the proposed amendment for the Committee's review before voting on the motion to amend **SB 69**. Senator Corbin agreed to hold the vote on Senator Clark's motion as requested by committee members to allow time to review the proposed amendment language.

The meeting was adjourned at 11:20 a.m.

The next meeting is scheduled for February 1, 2001.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: January 31, 2001

NAME	REPRESENTING
Richard Crum	KDOR
R Myers	Cap-Journal
J. Sullinger	KESTAR
K. Peterjohn	KS Taxpayers Network
Alex A. Kotogantz	KS. Academy of Science
Tom Adams	BOTA
Judy Brandick	Sen. Pres. Office
Ben Cleaves	Sen. Pres. Office
Janey Erdman	Greater Kansas City Chamber of Commerce
Jacqui Clark	Mailmark Cards
Martin Hawver	Hawver's Capital Report
Roger Hrabek	WKREDA
Andy Sloan	Kearney Law Office
Tom Bruno	Allen & Assoc's
Aaron Dunkel	DOB
John Stadenick	The Boeing Company
Jadene Cole	Sen. Taylor's Office Staff
Ashley Shevard	Johnson County
Mike Beam	Ks. LVSTK. Assn.

SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: 1/31/01

NAME	REPRESENTING
Tim Aiken	USD # 260 (Derby) BOE
Don Askisson	USD 260 DERBY
Jim Allea	KELC
Erik Sartorius	K.C. Regional Assoc. of Realtors
Trent LeDoux	Gen. Maj Ldr Off.
Ed O'Malley	Overland Park Chamber of Commerce
Kelly Kietala	City of Overland Park
Bill Brady	Schools Fair Funding
Janet Stubbs	Ks Bldg. IND. ASSN.
Craig Grant	KNBA
Mark Tallman	KASB
Denise A. pt	U.S.A. U.S.D. 500
Don M. Kemp	USD 321 Kaw Valley
David Lee Smith	KOMLA
Christy Caldwell	Topeka Chamber of Comm.
Martie Carpenter	KCCI
Joe Mallon	AP
Jacque Daker	SQE



TO: Senate Committee on Assessment and Taxation
FROM: Mark Tallman, Assistant Executive Director
DATE: January 31, 2001

RE: **Testimony on S.B. 68 - Exemption from school district property tax, and
S.B. 69, - Reauthorizing the school district property tax levy**

Mr. Chairman, Members of the Committee:

I am appearing here today on behalf of the Kansas Association of School Boards. I have also been asked to represent other members of the School Finance Coalition, which includes Kansas National Education Association, United School Administrators of Kansas, Schools for Quality Education, the Kansas Education Coalition, Kansans for Local Control, and the public school districts of Wichita, Shawnee Mission, Kansas City, Olathe, Blue Valley, and Topeka.

We appreciate the opportunity to testify on the bills before you today to express our concerns about state tax and funding policies for public education. We believe that state funding for education is not adequate for the needs our schools and the children they serve. As you consider the legislation before you, we urge you to keep the following points in mind.

First, at an absolute minimum, the current levy must be maintained so that no additional revenue is lost to school districts.

Second, we must reverse the trend of underfunding base support for school districts and forcing local boards to make up the difference by raising local option budgets.

Under the school finance system, the base budget per pupil is multiplied by student enrollment, which is adjusted by various weighting factors, to determine a school district's general operating budget for regular education programs. Between 1992-93 and 1999-00, the base budget per pupil increase just 4.7%. If increases in weighting factors are included, total general fund spending per pupil increased 13.6%, or only about 70% of the consumer price index (approximately 19.4%). Much of that increases was limited to specific program demands.

A major reason the low increase in the base was due to reductions in the statewide mill levy and removing the levy from motor vehicles. Because the Legislature had to replace those revenues, it reduced funding available for increasing the base. As a result, school boards had to increase local option budgets, which rose from less than \$100 million in the first year of the 1992 school finance system to \$320 million in FY 1999-00, and are expected to raise to \$417 million next year. School boards have increased the LOB in order to meet rising costs which base state aid does not cover.

*Senate Assessment & Taxation
1-31-01
Attachment 1*

As a result, while the state has reduced the statewide mill levy on property, local school boards have been forced to increase unequal local property tax levies to compensate. This moves us away from an equitable funding system.

Third, this policy has meant that important educational needs are not being met. The School Finance Coalition believes that additional state revenue will be needed to provide competitive salaries for school district employees, to increase the academic performance of children who are not succeeding under the current system, and to meet the additional expectations placed on public schools.

Fourth, the Legislature must adopt a balanced tax policy at the state level to assure adequate funding for every child in every district. We are deeply concerned about the possibility of further reductions in the property tax as a component of school funding.

Fifth, it is important to understand that simply extending the current statewide levy and adopting the Governor's budget proposal for education will not avoid a tax increase. "Doing nothing" will still result in a property tax increase for most districts because they will be forced to continue to increase the use of the local option budget.

Thank you for your consideration.

The quality of the Kansas school system is threatened by four challenges.

Recruiting and retaining high quality teachers and staff.

- Since 1993, the base budget set by the state has lost nearly 13% compared to the consumer price index, or \$300 million. School boards have increased local option budgets by about \$250 million to keep up with inflation and other costs.
- Keeping up with inflation is not enough to maintain competitive salaries. Since 1995, classroom teacher salaries have increased less than wages in the Kansas private sector and state government. (Legislative Research Department memo)
- School districts have experienced unprecedented problems in filling positions this year, from teachers and administrators to bus drivers, cooks and custodians (over 400 teacher vacancies alone to start the year).
- Rural districts can no longer count on local people to fill professional vacancies; there are not enough locals left.
- There is a \$15,000 “wage gap” between average teachers’ salaries and other employees with college degrees. (Education Week)
- Nationally, nearly 25% of teachers are expected to retire in the next eight years, forcing Kansas schools to compete for a shrinking pool of applicants. But Kansas salaries are about \$5,000 below the national average and falling. (American Federation of Teachers report)

The student achievement gap.

- Students from low-income families who qualify for free lunch score 10-15 points below middle- and upper-income students. The difference in terms of percentage, rather than points, is even greater. (Kansas state assessments)
- Despite the strong Kansas economy, approximately one in four students are poor enough to qualify for free lunch and one in three qualify for free or reduced price school meals.
- Disadvantaged children start school behind. If they can’t catch up, they are more likely to drop out.
- Nearly 15% of Kansas qualify for special education services. The reasons range from physical disabilities, serious health needs, emotional disturbance and other learning problems. Not surprisingly, these students also score far below average on student performance measures. (Kansas state assessments)
- State funding for early education programs and extended learning time is inadequate.

The digital divide.

- Technology use is a critical skill and a powerful teaching tool.
- The state legislature made technology proficiency an expectation for qualified admission to the state universities.
- The state has failed to fund the new costs of education technology, forcing districts to shift funds from other instructional budgets.

School safety and environment.

- The school finance system does not meet the safety needs of children. For example, districts do not receive transportation aid for students who live less than 2.5 miles from school.
- Funding for capital expenses such as technology, equipment and modernization is inadequate for many districts with low property valuation. Unlike construction bonds, no state aid is provided for on-going capital outlay.

KANSAS TAXPAYERS NETWORK

**P.O. Box 20050
Wichita, KS 67208
31 January 2001**

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Testimony Supporting SB 68
Karl Peterjohn
Exec. Dir.

The \$20,000 exemption on appraised value for the statewide mill levy was an important point in the enactment of tax cutting legislation four years ago. At that time eight mills were also reduced cutting the mill levy from 35 down to 27 mills for the following year.

Kansas Taxpayers Network strongly supported that legislation in 1997 and we once again strongly urge this committee to retain the statewide homestead exemption. We would suggest that this provision be permanently extended into the future.

We are concerned that this exemption could lapse via the sunset provision that would dramatically raise statewide property taxes for every homeowner in Kansas. Allowing this exemption to lapse would also place a larger part of the statewide mill levy onto the backs of Kansas homeowners.

Kansas Taxpayers Network urges this committee to make this exemption a permanent part of state statutes and eliminate the sunset portion of this statute. This would reduce the possibility that this statute could disappear simply by legislative inaction.

This is a real and substantial risk since the statewide property tax lid on local units expired two years ago.

Many ideas are floating through the state capitol concerning the statewide mill levy, the homestead exemption, and financing school finance in particular. Instead of looking at changing the amount of the homestead exemption KTN would urge this committee to focus upon the 20 mills for K-12 and the 1.5 mills levy for capital spending instead.

The homestead exemption is placed against a fixed amount of appraised value. It has its largest impact among homeowners with the least value on their properties.

There are significant and growing property tax problems in Kansas. Soaring appraisals, rising mill levies, and voter powerlessness in stopping any of these tax hikes by petition or tax referendum are growing problems. These are all areas of complaints we hear from the individuals and businesses who support this taxpayer organization. We believe this is a problem which extends far beyond the homeowners, farmers, entrepreneurs and businesses who support Kansas Taxpayers Network including many Kansans who may not be familiar with our efforts to improve the tax climate in Kansas.

We strongly urge this committee to approve extending this homestead exemption indefinitely.

*Senate Assessment & Taxation
1-31-01
Attachment 2*

ANSAS TAXPAYERS NETWORK

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31 January 2001**

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Testimony Opposing SB 69
Karl Peterjohn
Exec. Dir.

SB 69 would extend the state's existing statewide 20 mill property tax levy into the next two fiscal years. However, with appraisals rapidly growing this tax is generating a growing amount of revenue each year. These increases are occurring among all Kansas property taxpayers with the exception of that small group who are fortunate enough to receive tax abatements.

The Kansas Taxpayers Network would like to limit statewide property tax increases. We are committed to seeking broad based property tax relief. Where possible, Kansas Taxpayers Network would like to roll back taxes which are particularly burdensome. The statewide mill levy is at the top of our list when we survey our supporters at the end of the year.

The fact that this tax levy must be approved by the legislature or it will expire provides an excellent opportunity for this legislature to work on this tax. This is especially true since the efforts to cap appraisals by various means have never passed the legislature, and have in fact, seldom even gotten out of committee.

As usual, there is pressure from the numerous spending lobbies to provide more state funds for their special spending interests. In the eight years I've worked on behalf of taxpayers as the lobbyist for the Kansas Taxpayers Network I have never seen the legislature leave the capitol without spending more state General Fund money than they did in the previous year.

Fortunately, this state's economy is growing. Therefore, so are state tax receipts. For the first six months of Fiscal Year 2001 state receipts are over \$137 million above the same period last year. This is an increase of 7.2 percent. If this pattern continues, state tax collections will be somewhere between \$200 million-to-\$300 million above last year.

If state spending growth can be limited to \$150 million, or even \$200 million a year (or say three-to-four percent), there would be funds for improving this state's poor position on taxing its citizens. Last year the federal government reported on the per capita state tax burden in all 50 states. While Kansas ranked in the middle of these figures nationally, we were (and are) the high tax point in our region (see web site: www.census.gov/ftp/pub/govs/statetax98/98tax.txt). State taxes in Kansas are higher than in all our surrounding states according to these federal figures. This 1998 figure does not factor in the tax hike enacted in 1999 on motor vehicle fuels and the bracket creep in personal income, corporate income, and statewide property taxes which is occurring annually.

Rolling back the statewide mill levy would benefit all taxpayers: urban or rural, commercial, homeowners, or agriculture. We would urge that any statewide rollback include protection to prevent the state's reduction from being "grabbed" by local units now that the property tax lid has been removed.

So, Kansas Taxpayers Network rises in opposition to extending the 20 mill statewide property tax levy.

*Senate Assessment & Taxation
1-31-01
Attachment 3*



Kansas Association of REALTORS®

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TO: SENATE ASSESSMENT AND TAXATION COMMITTEE

FROM: KAREN FRANCE, DIRECTOR OF GOVERNMENTAL RELATIONS

DATE: January 31, 2001

SUBJECT: SB 68, EXEMPTION OF RESIDENTIAL PROPERTY FROM STATEWIDE SCHOOL LEVIES

Thank you for the opportunity to testify. On behalf of the Kansas Association of REALTORS®, I appear today to support SB 68, which proposes to continue the exemption of residential property from the statewide mill levy for schools.

It has been our long-standing position that real estate is burdened with an excessive share of the constantly increasing cost of state and local government. We believe real estate taxes should be used only to pay for state and local governmental services that are rendered to real estate. Other types of taxation should pay for people-related services and programs such as education. We have advocated the restructuring of state and local taxation sources for the funding of non-property related services. We urge the state to work for the restructuring of taxes to relieve the inequitable real property tax burden but also not to unfairly shift the tax burden to any tax paying entity. We have supported the continual, gradual reduction of the statewide mill levy to the extent possible.

Property ownership is no longer an indication of the ability to pay. When it was first instituted, years ago, the ownership of property was an indicator of wealth. That is no longer the case. For example, we have people on fixed incomes whose property has appreciated in value through no fault of their own and their property tax bills have essentially become a rental payment to the government for their homes.

When the statewide mill levy was adopted in 1992, it began another whole spectrum of property taxation, by putting the state in the business of levying property tax far beyond the 1 1/2 mills it used to levy. The state now has to worry about increases and decreases in the statewide assessed valuation and is now a reluctant player in the game of maintaining current levels.

The Kansas legislature did the right thing when it adopted this exemption. It created a cushion for residential property taxpayers who have the least amount of control over their income. These same people are being hard hit by the increased heating costs this last winter. While it appears you can do little about heating costs, you can assist these folks by continuing the small bit of property tax relief they receive from this exemption. We urge your support for the exemption and ask for your favorable recommendation for this bill.

Thank you for the opportunity to testify.