

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Chairman Edmonds at 9:00 a.m. on March 19, 2002 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

Conferrees appearing before the Committee:

Representative Freeborn  
Gerald Goodell, Chair, Estate Tax Advisory Committee, Judicial Council  
Terry Leatherman, Kansas Chamber of Commerce and Industry  
Hal Hudson, National Federation of Independent Business  
Kenneth Daniel, Midway Sales & Distributing, Topeka  
Kim Wilcox, Kansas Board of Regents  
Dr. Ed Berger, President, Hutchinson Community College  
Dr. George Knox, President, Cloud County Community College  
Dr. Veldon Law, President, Barton County Community College  
David Monical, Vice President, Washburn University

Written Testimony: Mahlon Tuttle, Kansas Legislative Policy Group

Others Attending: See attached list

**Hearing was opened on**

**HB 2652 - Estate tax conformity to federal law.**

Gerald Goodell, Chair of the Estate Tax Advisory Committee, presented testimony on behalf of the Judicial Council (Attachment #1) describing the problem this year due to the change in federal law if the existing Kansas estate tax law is not changed. The testimony described in detail the present circumstances and included Judicial Council Comments on **HB 2652**. He explained that the change proposed by **HB 2652** will give the Legislature two years to consider more permanent alternatives. In response to a question Mr. Goodell said the Advisory Committee had been unable to find a revenue neutral solution to the problem.

Revisor Hayward explained that if this bill passes as it is, the federal law will have no effect on the Kansas law and that if there is no bill this year, Kansas will still be tied to 1998 law and the \$700,000 exemption will go to \$1 million in 2006.

Terry Leatherman presented testimony of Marlee Carpenter on behalf of the Kansas Chamber of Commerce & Industry supporting **HB 2652** (Attachment #2), stating KCCI has a long standing policy supporting repeal of inheritance tax and now the permanent repeal of the state and federal estate tax.

Hal Hudson presented testimony on behalf of the National Federation of Independent Business support of **HB 2652** (Attachment #3) asking on behalf of the 7,000 small business owners who are members of NFIB in Kansas that the bill be reported favorable for passage.

Kenneth Daniel, Midway Sales & Distributing, Topeka, presented testimony in support of **HB 2652** (Attachment #4), on behalf of his family, his employees and the small businesses and farms in Kansas for which he believes this is a serious issue.

**Hearing was closed on HB 2652.**

## CONTINUATION SHEET

Mr. Cram was asked to provide the Committee with information on what the effects would be at Kansas Department of Revenue if **HB 2652** does not pass.

Chairman Edmonds asked staff if possible to provide the Committee with a study covering (1) forecast of revenue year by year for the life of the federal bill with the presumption Kansas law is not changed; compared to (2) presumption that **HB 2652** passes. He said the Committee would also be interested in modeling under current law and this bill of estates of \$500,000, of \$1 million, and of \$2.5 million.

**Hearing was opened on**

**HB 3003 - Out-district tuition for community colleges and Washburn University continued through 2003-04 academic year.**

Representative Freeborn presented testimony (Attachment #5). She said she had asked for the bill to be introduced in the Appropriations Committee to correct a matter of inequity in funding for Community Colleges and Washburn University due to the proposal to freezing the funding of **SB 345**. Keeping the out-district tuition level for the next fiscal year will stabilize the financial responsibility of the counties.

In response to questions, Representative Freeborn said budget proposals eliminate the funding for the third year of the four-year phase out so Community Colleges would not get the replacement revenue nor would they get the out-district tuition. She said if **HB 3003** does not pass they would lose about \$2.7 million. If the bill passes, that \$2.7 million would be split among the other counties.

Kim Wilcox, President and CEO of the Kansas Board of Regents presented testimony in support of **HB 3003** on behalf of the Regents (Attachment #6) and said he also represented Washburn University. He said **SB 345** was designed as a four-year program assuming state replacement for revenue lost with mandated phase out of out-district tuition payments and that the Board of Regents have worked hard to implement **SB 345** in its fullest sense and if one part is stopped, the other part should stop as well.

In response to questions Mr. Wilcox said the out-district tuition replacement agreement is a significant buy-down of property tax in local taxing districts. The four-year plan included a significant increase in faculty salary and payroll for state universities with performance funding up to 2% of operating expenses in years three and four but the fiscal note did not include the 2% funding, approximately \$27 million over two years. He said he had the exact numbers and was asked to provide them for the committee.

Ed Berger, President of Hutchinson Community College, presented testimony in support of **HB 3003** (Attachment #7). He said one of the goals was to move state support for community colleges to 65%, moving the responsibility from the counties to the state over a four-year period of time. The reduction on the county side is statutory regardless of what happens on the state side. In Kansas, 87 counties pay out-district tuition for students from their counties taking classes at community colleges. This was to be phased out over four years. Two-year phase out has occurred. Another concern it addressed was local property tax relief in the 18 counties with community colleges. Mr. Berger said Community Colleges are experiencing significant enrollment increases of traditional and non-traditional students who see them as an affordable avenue to get the first two years of a transfer program or to obtain marketable job. In response to questions Mr. Berger said the options were to raise tuition and to raise the local levy and that the effect of passing **HB 3003** would be to suspend other components including local property tax relief.

Dr. George Knox, President of Cloud County Community College, presented testimony in support of **HB 3003** (Attachment #8). He described the impact its defeat would have on Cloud County Community College and provided a brief history of the provisions in **SB 345**. He understands the responsibility to help in difficult times and is asking the out-district tuition reduction be suspended until the plan is fully funded. He said at Cloud County Community College they meet on a weekly basis for their budget and they stand to lose \$270,000, 4 percent of their budget. In response to questions Dr. Knox said that he was new to Kansas but it was his understanding that none of the initiatives for higher education have ever been fully funded.

## CONTINUATION SHEET

Dr. Vernon Law, President of Barton County Community College, testified in support of **HB 3003**. Dr. Law said Barton County Community College is facing cutting \$1.1 million from their \$16 million operating budget and are talking about cutting services and personnel at a time when they are now <sup>Unless</sup> dealing with about a 5-6 percent increase of student enrollments.

J. B. Webster, a Trustee of Barton County Community College, testified in support of **HB 3003**.

The testimony of Jerry B. Farley, President of Washburn University, in support of **HB 3003**, was presented by David Monical (Attachment #9). He said it was important that this bill pass so that the nineteen Community Colleges and Washburn University are not required to absorb the cost of this phase-down of the Higher Education Coordination Act without the promised corresponding compensating

Written testimony in support of **HB 3003** on behalf of the Kansas Legislative Policy Group was presented by Mahlon Tuttle, President (Attachment #10).

Sheila Frahm, Executive Director of the Kansas Association of Community College Trustees, provided to the Committee the Kansas Board of Regents Unified Budget Request FY-2003 (Attachment #11); Community College Revenue (Attachment #12); Community College Property Tax (Attachment #13); Community College Enrollment (Attachment #14); and Overview of the Kansas Higher Education Coordination Act, a memo dated October 23, 2001 from Carolyn Rampsey, Principal Analyst, Legislative Research Council (Attachment #15).

Hearing on HB 3003 was closed.

**Consideration of HB 3011 - Retailers' sales tax - Anderson County.**

**Representative Vickery moved, Representative Findley seconded, to amend HB 3011 by making technical corrections omitting suggested language on page 7 which is not needed if "Anderson" is added in the list of counties on line 1. Motion was adopted.**

**Representative Mays moved, Representative Gatewood seconded, to recommend HB 3011 favorable for passage as amended. Motion was adopted.**

**Consideration of HB 2828 - Douglas County sales tax for industrial and recreational park purposes.**

**Representative Findley moved, Representative Larkin seconded, to amend HB 2828 as submitted to the Committee by the conferees. Motion was adopted.**

**Representative Findley moved, Representative Larkin seconded, to recommend HB 2828 favorable for passage as amended. Motion was adopted.**

**Consideration of HB 2785 - Redemption of real estate bid off by county.**

**Representative Larkin moved, Representative Mays seconded, to recommend HB 2785 favorable for passage. Motion was adopted.**

Committee adjourned at 10:22 a.m. Next meeting is March 20.

GUEST LIST

DATE March 19, 2002

NAME	REPRESENTING
Sheila Friskum	Community Colleges KACCT
Hal Hudson	NFIB/KS
Jim Allen	KACCT
Jerry Goodell	Judicial Council
Jim Weissgerber	Ks Dept of Rev.
J.R. Neaveil	Judicial Council
Michelle Peterson	Governmental Consulting
John Skelton	Barton Co. Comm. Coll.
Ed Berger	Hutchinson Com College
Gene O'Brien	Barton County Comm. Coll.
VERNON LAW	" " " "
Deann Williams	KS MOTOR CARRIERS ASSN.
LARRY R BASS	CKM
David & Monial	Washburn University
Julia Clark	Shellmail Cards Inc
Quincy Miller	KAC
Prof. Joan T. Nelson	Log
Ed Berger, President Hatch CC	
Veldon Law, Barton Co. CC	President
Gene Knox, Cloud Co. CC	President
Gene O'Brien & J.B. Webster, Trustees Barton Co. CC	
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TO: House Taxation Committee  
FROM: Gerald L. Goodell, Chair Kansas Judicial Council Estate Tax Advisory Committee  
RE: House Bill 2652  
DATE: 3/19/02

1. The existing Kansas estate tax law conforms to the Internal Revenue Code as it existed in 1997 (See Section 1, lines 21 and 23; Section 2). Under the law in effect on 12/31/97, a federal estate tax return would be required for decedent's dying in 2002 if the federal taxable estate exceeded \$700,000 in value.
2. If the law is not changed, therefore, a decedent dying in 2002 with an estate in excess of \$700,000 will have to file a Kansas estate tax return.
3. Federal law has, however, changed. A decedent dying in 2002 need not file a federal estate tax return unless the decedent's taxable estate exceeds \$1 Million in value. Thus - absent a law change - a decedent with an estate greater than \$700,000 but less than \$1 Million will have to file an estate tax return in Kansas even though the estate is not taxable for federal purposes. Federal law increases that amount to \$1,500,000 in 2004, \$2,000,000 in 2006 and \$3,500,000 in 2007 before a Kansas estate tax return must be filed under current law.
4. Unless Kansas law is amended, taxpayers and many tax advisers may be unaware of this "decoupling" of federal and Kansas law and its effect. Those who are aware of it will wonder why it is necessary to prepare a "pro forma" federal estate tax return simply in order to file a Kansas estate tax return.
5. Further, the Kansas estate tax is basically a "pickup" tax, i.e. it imposes a Kansas estate tax equal to the amount of the federal credit for state death taxes. It is likely that the Kansas Department of Revenue might argue that under the Internal Revenue Code as it existed in 1997 a federal credit would have been allowed in the case of any federal taxable estate in excess of \$700,000. KDOR might further argue that a Kansas tax should therefore be imposed on taxable estates in excess of \$700,000 and less than \$1,000,000 even though no federal estate tax would actually be imposed at all.

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6. Moreover, there is a further complication. Under present (post-1997) federal estate tax law, the state death tax credit is being phased out over a period of years and is being replaced with a deduction (for deaths in 2002, the tax credit is decreased by 25%, in 2003 by 50% in 2004 by 75% and in 2005 and thereafter the credit is eliminated and is replaced by a deduction.) It is possible that less wary taxpayers will pay to the State of Kansas the amount of the state death tax credit currently allowable rather than the greater amount allowable under pre-1998 law. This might well lead to controversy between KDOR and taxpayers, impose on KDOR the burden of auditing many Kansas estate tax returns and force KDOR to attempt to collect the tax due though it lacks the enhanced enforcement capability necessary to do so.
7. While the committee points out other possible solutions to the problem, it suggests that the legislature amend present Kansas law in two particulars by adopting HB 2652 which will:
  - a. Recognize the increased filing threshold to \$1,000,000 imposed under post-1997 federal law which is accomplished by Section 1, lines 21 and 23 and Section 3;
  - b. Simultaneously make it clear that the federal phased in reduction in the amount of the credit for state death taxes will not apply in determining the Kansas "piggyback" tax which is accomplished by Section 1, lines 23 and 24 and Section 2, lines 17 and 18.
8. The committee believes that this action will preserve revenue from the death tax credit for taxable estates in excess of the current federal filing threshold without unduly increasing the administrative burden on KDOR, estates, and tax practitioners. Since the federal filing threshold is scheduled to remain at \$1 Million during 2002 and 2003, this will also preserve a "breathing space" during which the legislature can determine what other, more permanent alternatives are available to it.
9. These more permanent alternatives available to the legislature include:
  - a. Enactment of a stand-alone Kansas estate tax, not referenced to federal law; and
  - b. Conforming completely to current federal law.
10. Each of the alternatives referred to above are somewhat problematic. A stand-alone Kansas estate tax would require augmenting KDOR's staff and procedures to allow it to audit returns and deal with the resulting controversies and collection issues. Deferring to current federal law places the Kansas estate tax scheme at risk, since unplanned changes in federal law would have correlative (and perhaps unfavorable) effects on Kansas tax revenues.
11. The proposed change contained in HB 2652 will give the Legislature two years to consider a more permanent alternative to the problem.

March 19, 2002

**JUDICIAL COUNCIL COMMENTS  
ON 2002 HB 2652**

The amendments proposed by 2002 HB 2652 were prepared by the Kansas Judicial Council Estate Tax Advisory Committee and approved by the Kansas Judicial Council. A list of the membership of the Estate Tax Advisory Committee is attached.

The accelerated increase in the IRC §2010 applicable exclusion amount had the effect of increasing the filing threshold for Kansas estates to \$1,000,000 effective January 2, 2002. In accordance with federal law this amount will increase to \$1,500,000 in 2004, \$2,000,000 in 2006, and \$3,500,000 in 2007. Under present Kansas law the scheduled filing threshold is \$700,000 in 2002 and 2003, \$850,000 in 2004, \$950,000 in 2005 and \$1,000,000 in 2006 or thereafter.

The phase-out of the IRC §2011 state death tax credit will have the effect of phasing out the Kansas death tax beginning in 2002. In accordance with federal law, for deaths occurring in 2002 the amount of the credit is decreased by 25%, 2003 by 50%, 2004 by 75%, and 2005, and thereafter, the credit is eliminated and replaced with a deduction. Under present Kansas law the credit remains at 100%.

K.S.A. 79-15,102(a) imposes a tax in the amount of the credit allowed by IRC §2011, and K.S.A. 79-15,101(a) provides that any reference to a specific provision of the IRC is to the provision as it existed on December 31, 1997. If K.S.A. 79-15,101 and 79-15,102 are not amended, the Kansas death tax will be unaffected by the amendments to IRC §2010 and §2011. This will be true even after December 31, 2004, when §2011 becomes inoperative.

The Department of Revenue has not stated how it will apply current state law to deaths occurring in 2002. It is likely that the Department will take the position that the filing threshold will be \$700,000 and that 100% of the amount of the credit will be due. If so, this will create an administrative burden for the Department and problems for practitioners.

Undoubtedly, many practitioners believe Kansas law conforms to federal law and that the recent federal changes will automatically flow through to Kansas. As a result, many estates with a value between \$700,000 and \$1,000,000 will not file Kansas estate tax returns. In addition, estates that do file returns may pay Kansas only 75% of the amount of the credit. Payment of this amount will satisfy federal compliance requirements, but will put the Department of Revenue in the position of attempting to collect the tax without significant enforcement capabilities.

Practitioners who are aware of the Department's position will face questions from estate representatives when they advise them that although no federal filing is required a federal return must nevertheless be completed to comply with State requirements. Additional questions will arise concerning the payment of the full amount of the credit for state death taxes when the full amount is not allowed as a credit on the federal return. The problems faced by both the Department and practitioners will be compounded as time goes on and the divergence between federal and state law continues to increase.

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One possible solution to the problem is to amend Kansas law to conform to the new federal law. This would have the effect of immediately decreasing state revenues, due both to the increase in the filing threshold and because of the reduction in the amount of the credit. When the legislature enacted the estate tax in 1998 it expected the applicable exclusion amount to reach \$1,000,000 in 2006, as then provided. Therefore, the acceleration of the rise to \$1,000,000 lowers Kansas estate tax revenues earlier than expected. However, the revenue loss will expand significantly when the applicable exclusion amount (and federal filing requirement) rises in subsequent years. In addition, recognition of the reduction in the amount of the credit for state death taxes will immediately lower Kansas estate tax revenues significantly. And recognition of the reduction in the amount of the credit for state death taxes will effectively eliminate the Kansas estate tax after 2004.

Another possible solution to the problem is for Kansas to enact a stand-alone death tax, most likely an estate tax. If Kansas has a stand-alone tax, it will be responsible for administering the tax. It will not be able to look to the Internal Revenue Service with regard to questions of inclusion of property in the estate, valuation of assets, deductions, calculation of shares, etc. The administrative costs will be significant, and practitioner problems and dissatisfaction would add to the problem.

Understanding that the balance between revenue needs, administrative burdens, and practitioner concerns must be considered, 2002 HB 2652 proposes amending present Kansas law to recognize the acceleration of the applicable exclusion amounts. As previously stated, this increase to \$1,000,000 lowers Kansas estate tax revenues earlier than expected. The next increase (to \$1,500,000) is not scheduled to take effect until 2004. The bill amends Kansas law to exclude recognition of the phased in reduction in the amount of the credit for state death taxes. This preserves revenue from the credit without unduly increasing the administrative burden on the Department of Revenue or the burden on estates and practitioners.

Finally, the Judicial Council suggests the time between now and the 2004 Legislative Session be used to consider whether Kansas should fully conform to federal law, allow the Kansas death tax to phase out, or enact a stand-alone death tax.



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Revised (3/02)

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# LEGISLATIVE TESTIMONY



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HB 2652

March 19, 2002

## KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the  
House Taxation Committee

by

Marlee Carpenter  
Director of Taxation and Small Business

Mr. Chairman and members of the Committee:

My name is Marlee Carpenter and I am here on behalf of the Kansas Chamber of Commerce and Industry. We are here in support of HB 2652, the conformity of the Kansas estate tax with the federal law.

KCCI has had long standing policy to support the repeal of the inheritance tax and now the permanent repeal of the state and federal estate tax. KCCI believes that the phase out of the estate tax will help businesses large and small.

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 2,000 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 48% of KCCI's members having less than 25 employees, and 78% 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.

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Studies indicate that a family-owned business stands to lose 55 percent of all its assets when it passes from one generation to the next. Seventy percent of families choose to cash out or abandon their business after one generation and only 13 percent of businesses survive into a third generation.

We understand the fiscal situation of the state and the decisions you have to make this session. Thank you for your time and I will be happy to answer any questions.



KANSAS

**Statement by Hal Hudson, Kansas Stat Director  
National Federation of Independent Business  
On House Bill 2652 – Estate Tax Conformity  
March 19, 2002**

Mr. Chairman, and members of the Committee:

Thank you for allowing me to speak to you this morning in support of H. B. 2652. My name is Hal Hudson, and I am State Director for NFIB/Kansas.

Originally intended to prevent the concentration of wealth, and later intended to raise revenue during wartime, the Death Tax continues to be destructive to America's entrepreneurs. If you think the Death Tax only hits the super-rich, think again. Often the victims hardest hit are middle-class, hard working Americans...small business owners and employees, family farmers and ranchers.

Many small businesses, farms and ranches have had to be liquidated piece by piece or sold outright in order to secure cash to pay the Death Tax bill. Still other businesses have been forced to take out loans or forgo reinvesting capital into their businesses in order to meet the tax demand. Worse yet, small business owners are not the only ones impacted. Jobs and communities often are hurt when the Death Tax takes its toll.

Regardless of whether or not a small business is hit directly with the Death Tax penalty, thousands of small businesses are impacted each year by expensive fees paid to attorneys, accountants, and life insurers necessary to prepare for an eventual Death Tax debt. NFIB members repeatedly have stated that they resent paying taxes on already-taxed assets and are frustrated by throwing money at preparation costs rather than on more productive measures, such as business expansion and employee benefits.

In 1998, NFIB supported the Estate Tax changes that were enacted into Kansas law. However, there was a flaw in that legislation because it was tied to conformity with federal law as it was at December 31, 1997. As you know, federal law has changed, increasing the amount of an estate that can be exempt from the federal tax. Now, it is time to change Kansas law, and bring us back into conformity, without being tied to a date certain.

Small business owners, farmers and ranchers know the truth: the Death Tax is not an issue of politics or partisanship. Rather, it is an issue of fairness, family, community, and keeping the American Dream alive.

On behalf of the 7,000 small business owners who are members of NFIB in Kansas, I urge you to report H.B. 2652 favorable for passage, and to work to get it passed by the full House of Representatives.

Thank you. I will be happy to stand for questions.

**Presentation to the House Taxation Committee  
March 19 2002**

**By Kenneth L. Daniel, Jr.  
Chairman and C.E.O., Midway Sales & Distributing, Inc. d/b/a Midway Wholesale  
and  
2002 Leadership Council Chairman, NFIB/Kansas**

**Mr. Chairman and Members of the Committee:**

**My name is Ken Daniel. I am the Founder, Chairman and C.E.O. of Midway Wholesale, a building materials distributor headquartered in Topeka with branches in Salina, Manhattan, Lawrence, Elwood/St. Joseph, and Kansas City, Missouri. I am also the Chairman of NFIB/Kansas, a volunteer position. I am here today to speak on behalf of my family, my employees, and the tens of thousands of small businesses and farms in Kansas for which this is a deadly serious issue.**

**I would like to speak in support of HB2652. In 1998, legislation was enacted in Kansas to bring Kansas into conformity with federal estate tax legislation. Last year, the federal government enacted a ten-year phase out of the estate tax, leaving Kansas out of conformity again.**

**One of the compelling reasons for eliminating the "Death Tax" is that much of that money has already been taxed, in some cases several times. Death taxes have wiped out many a family farm and family-owned business when the assets had to be sold to raise the cash to pay the taxes. This is mainly a small-business phenomenon. Huge estates can use trusts and other expensive devices to avoid death taxes.**

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If Kansas fails to bring its taxation of estates into conformity with the federal legislation, heirs of Kansas residents will experience a triple-whammy of death taxes.

The first whammy is the estate tax. Kansas is taxing everything over \$700,000 at present while the federal government is doing away with the estate tax. Compare this to the \$1.6 million the survivors of the World Trade Center are being given tax-free from the federal government--\$700,000 is not a huge sum of money when one has to spread it over the rest of one's life.

The second whammy is the elimination of the "step-up in basis" of assets at death. While the new federal legislation eliminates the estate tax eventually, it also eliminates the "step-up in basis". Previously, when a person died, assets including stock and business property were passed on to heirs at their value at time of death instead of the value when the decedent acquired it. The heir avoided all income taxes and capital gains taxes on the increased value. Now, there is no longer a "step-up in basis" at death, and since the Kansas income tax code is in compliance with the federal code, Kansas will collect much higher taxes on these gains.

The third whammy is that the Kansas capital gains tax rate is the same as the ordinary income rate. Kansas will be collecting full ordinary income tax on those now-taxable pre-death capital gains. At least the federal capital gains rate is only about 1/2 the maximum ordinary income tax rate.

I encourage the members of the committee to vote in favor of this bill.

JOANN LEE FREEBORN  
REPRESENTATIVE 107TH DISTRICT  
CLOUD, OTTAWA COUNTIES  
AND PART OF CLAY AND DICKINSON COUNTIES  
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TOPEKA  
HOUSE OF  
REPRESENTATIVES

March 19, 2002

Testimony on HB3003

Chairman Edmonds, Vice-Chair David Huff and ranking minority Representative Bruce Larkin, thank you and your committee for holding a hearing on HB 3003. My request that this bill be introduced in the Appropriations Committee, was in response to a current Legislative proposal of literally "freezing" the funding for SB 345.

HB 3003 would correct a matter of inequity in the area of Community College and Washburn University funding. By keeping the out-district tuition level for the next fiscal year, it will stabilize the financial responsibility of the counties.

Passage of HB 3003 would maintain the status quo of the out-district tuition based on the current fiscal year. Under this legislation there is no enhancement of the Community College system.

Thank you and please consider my request for an affirmative vote on HB 3003.

Sincerely,

Joann Lee Freeborn  
State Representative  
District 107

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# KANSAS BOARD OF REGENTS

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Testimony on House Bill 3003  
House Taxation Committee  
March 19, 2002

Kim Wilcox, President and CEO  
Kansas Board of Regents

- The Board of Regents supports HB 3003
- SB 345 was designed as a four-year program
  - Mandated phase out of out-district tuition payments
  - Assumed state replacement for lost revenue at the community colleges
- With the possibility that the lost revenue will not be replaced in FY03, we need to delay the reduction of out-district payments for one year
- We would seek to return the four-year buy-down plan once money becomes available

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Chairman Edmonds and Members of the Committee:

I am Ed Berger, President of Hutchinson Community College/Area Vocational School. I am here to speak in support of continued funding of SB 345. The funding formula that was developed as part of SB 345 addressed inequities and idiosyncrasies that had become a part of the community college funding. It was understood that funding and off sets could not be achieved in a single year but would need to be phased in over four years. State support of community colleges was to be elevated to 65 percent of the state support of lower division full time equivalencies at the regional universities multiplied times the total number of community college full time equivalencies. Recognizing the cost for one year would be more than the state could budget, it was agreed that the sixty-five percent would be phased in over four years with increments of 50, 55, 60 and finally 65 percent. The new dollars received were to be dedicated to tax relief (out district tuition for the 87 counties that do not have community colleges would be eliminated as the percentage of state dollars increased in each of the four years), vocational funding for non area vocational schools was to be incrementally increased to 1.75 from 1.5, eighty percent of the remaining dollars were dedicated to local property tax relief in 18 counties with 20 percent available for community college enhancements.

The funding formula was central to SB 345 receiving unanimous support by community colleges and was critical in getting community college support for changing the state board of control from the Board of Education to the Kansas Board of Regents. The interconnectivity of the bill, tying community college support to the state support of regional universities and university faculty salary increases to community college funding made the system complete.

Community colleges in Kansas recognize that the third year of funding for SB 345 may need to be suspended because of state revenue constraints. **If SB 345 is suspended it is important to have all components suspended including the phase down of out district tuition, which is accomplished with HB 3003.** If this portion of the bill is left in tact, community colleges in Kansas could lose over three million dollars in revenue next year.

Community colleges in Kansas are experiencing significant enrollment increases because of the difficult economy. Traditional and non-traditional students are seeing community colleges as an affordable avenue to get the first two years of a transfer program or obtain marketable job skills. Additionally, community colleges have become essential to the economy, providing job training and retraining to thousands of individuals who have lost their jobs. These individuals are able to get back to work quicker because of the availability of affordable community college training. As the number of students enrolled in community colleges swells, the per student support from the state will diminish significantly with a funding freeze. I am sure that the committee recognizes the integral role that community colleges play in the economic recovery of Kansas. I appreciate your consideration and remind the committee again of the fiscal intent of SB 345, which was local tax relieve and enhanced funding for community colleges to the sixty five percent level of the regional universities.

Chairman Edmonds and the House Committee on Taxation, thank you for the opportunity to discuss HB 3003 and the impact that its defeat will have on the community college system. I am Dr. George Knox, President of Cloud County Community College.

A brief history might be in order. SB 345 had among its many provisions three that are particularly germane to the conversation today. They are:

1. Under SB 345 Section 39 (a)(2)(C) community colleges are scheduled to receive 60% of the "average amount of state aid per FTE [lower division] undergraduate student that the regional state educational institutions are entitled to receive for the year." 2003 is the first year community colleges are scheduled to receive their performance grants under SB 345.
2. Local property tax relief is a cornerstone of SB 345. Section 26 (b) of SB 345 states "The tax levy authorized by subsection (a) shall be reduced in fiscal years 2002, 2003 and 2004 by an amount equal to 80% of the amount of the difference between the amount of the state grant received by the community colleges in the preceding fiscal year less the amount of out-district tuition received by the community college in such fiscal year and the amount of the state grant to which the community college is entitled to in the current fiscal year".
3. Section 28 (b) SB 345 provides for a reduction of the out-district tuition rate for the 2002-2003 year of \$6 dollars per credit hour. This is a 50% reduction of the out-district funds available to community colleges for the 2003 fiscal year. The entire system will lose approximately \$2.7 million dollars for the 2003 fiscal year if this reduction is not suspended. There is also no guarantee that individual taxpayers will benefit from this reduction as counties are under no obligation to give relief to their taxpayers for the reduced out-district tuition levels.

With these points in mind I would like to highlight the fiscal impact on the community college system. Under the current state budget scenarios that are being proposed the community college system would be facing a complete loss of performance grants—\$2.025 million. The community college system was scheduled to receive 60% (FY 2003) as stated above or a total \$101,301,384 for the 2002-2003 fiscal year. The projections are now between 50.45%, if funding is flat, and 49.44%, if funding is reduced by 2%. This represents a decrease in revenue under the state aid formula of between \$16.1 million dollars and \$17.8 million dollars respectively. This reduction in state aid is in danger of growing as the states woes continue. Of the scheduled increase from 2001-2002, \$10.4 million dollars are scheduled for home-district property tax relief, an additional \$2.7 million dollars are scheduled for out-district tuition reduction, with \$3.0 million dollars remaining for enhancements to the community college system. If the state budget is flat or below the 2001-2002 funding level none of the above initiatives will be funded. There will be no state funds for local property tax relief or enhancements. However, the out-district tuition reduction will move forward and in all likelihood not have additional state dollars to compensate for the buy-down, of this reduction, as was intended in SB 345. The \$2,704,141 loss of out-district tuition represents a 3.2% loss of revenue for the community college system.

**The crux of the situation is; we understand and accept our responsibility to help in difficult times however, we would ask the committee to suspend the out-district tuition reduction until such time as SB 345 is fully funded. This action is desirable for several reasons: 1) it spreads the pain of the budget shortfall to all community college stakeholders, 2) it DOES NOT increase the state shortfall by any additional dollars, and 3) it will help lessen a very difficult fiscal situation for the community college system as a whole. The only options left for the community college system would be very difficult personnel cuts, increased tuition, and increased local tax levies.**

While we understand and accept our responsibility to share the burden of the states fiscal shortfall, we would be remise in our obligation to our local taxpayers if we did not bring to the attention of this committee the unavoidable fact that honoring the out-district tuition reduction will be at the expense of the home-district taxpayers and students. Finally, suspension of the out-district tuition reduction does not increase the state budget shortfall and will help the community college system by not increasing an already serious funding deficit.



**WASHBURN UNIVERSITY**  
Office of the President

**Testimony to the  
House Committee on Taxation  
regarding House Bill 3003  
by  
Jerry B. Farley, President  
Washburn University  
March 19, 2002**

Mr. Chairman, Members of the Committee:

Washburn University reluctantly supports passage of House Bill 3003. Our reluctance is due to the financial circumstances confronting the state which creates the necessity for such legislation.

This bill is required in order to suspend for one year the four-year phase down of out-district tuition which was begun with enactment of 1999 Senate Bill 345 (the Higher Education Coordination Act). Because it is unlikely that funds will be available to provide for the continuation of this phase-down in fiscal year 2003, it is important that this bill be enacted so the 19 community colleges and Washburn University are not required to absorb the cost of this phase-down without the promised corresponding compensating resources.

The bill only suspends this phase-down for one year. In the future, we are optimistic additional resources will be available to implement this plan to completion. We hope you will support passage of HB 3003.

TESTIMONY/PRES/HS.TAX.031902

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**Testimony to the  
House Committee on Taxation  
Regarding House Bill No. 3003  
By  
Mahlon Tuttle, President  
Kansas Legislative Policy Group  
March 19, 2002**

Mister Chairman, Members of the Committee:

Regretfully, I am unable to appear personally before the Committee today. However, I am providing written testimony in opposition of House Bill No. 3003.

I serve as president of Kansas Legislative Policy Group which is an organization consisting of 35 Counties located in western Kansas and I also serve as a member of the Gove County Commission. I am appearing today in their behalf.

As you know, when the Higher Education Coordination Act became law it provided for the four-year phase down of out-district-tuition. Out district tuition is an amount of money counties pay when students from their county attend community colleges or Washburn University.

House Bill No. 3003 suspends this phase-down one-year. This places additional financial pressure on counties to stretch their limited financial resources.

I acknowledge the serious financial situation the State is challenged with addressing and ask that if House Bill No. 3003 is passed the Legislature will keep its commitment to limit the phase down to only one-year.

Thank you for your time and consideration of this testimony.

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**KANSAS BOARD OF REGENTS**  
**UNIFIED OPERATING BUDGET REQUEST FOR HIGHER EDUCATION**  
**FROM STATE APPROPRIATIONS\***  
**COMPARED TO THE GOVERNOR'S BUDGET RECOMMENDATIONS**  
**FOR FISCAL YEAR 2002 AND FISCAL YEAR 2003**

INSTITUTION	GOV REC FY 2002	KBOR REQUESTED FY 2003	GOV REC FY 2003	DIFF OF GOV REC TO REQ FY 2003	DIFF OF GOV REC FY 2003 TO FY 2002	% CHANGE
<b>BOARD OF REGENTS:</b>						
General Administration	\$2,858,990	\$3,373,531	\$2,902,768	(\$470,763)	\$43,778	1.53%
Student Financial Assistance Programs	14,395,164	14,922,664	14,296,714	(623,950)	(96,450)	-0.67%
Adult Basic Education State Matching Grant	1,100,000	1,514,504	1,100,000	(414,504)	0	0.00%
Carl D. Perkins Matching Grant	375,430	396,295	384,815	(11,480)	9,385	2.50%
Other Postsecondary Education Programs	487,355	500,500	200,000	(300,500)	(267,355)	-57.21%
<b>SUBTOTAL BOARD OF REGENTS</b>	<b>\$19,196,939</b>	<b>\$20,707,494</b>	<b>\$18,886,297</b>	<b>(\$1,821,197)</b>	<b>(\$310,642)</b>	<b>-1.62%</b>
<b>COMMUNITY COLLEGES:</b>						
Operating Grants	\$85,174,486	\$101,301,384	\$81,818,611	(\$19,482,773)	(\$3,355,875)	-3.94%
Technology Grants	412,000	412,000	412,000	0	0	0.00%
<b>SUBTOTAL COMMUNITY COLLEGES</b>	<b>\$85,586,486</b>	<b>\$101,713,384</b>	<b>\$82,230,611</b>	<b>(\$19,482,773)</b>	<b>(\$3,355,875)</b>	<b>-3.92%</b>
<b>STATE UNIVERSITIES: (1)</b>						
University of Kansas	\$138,687,728		\$133,223,431		(\$5,464,297)	
University of Kansas Medical Center	104,325,975		100,573,732		(3,752,243)	
Kansas State University						
Main Campus	106,888,956		102,670,067		(4,218,889)	
Extension Service and Research Programs	49,203,009		47,264,410		(1,938,599)	
Veterinary Medical Center	10,052,324		9,656,262		(396,062)	
Wichita State University	85,903,685		83,307,080		(2,596,605)	
Emporia State University	30,572,053		29,367,514		(1,204,539)	
Pittsburg State University	33,546,613		32,224,876		(1,321,737)	
Fort Hays State University	31,951,242		30,692,363		(1,258,879)	
Subtotal - State Univ Operating Grants - FY 2002	571,131,585	571,131,585	548,979,735	(22,151,850)		
Faculty Salary Enhancement		13,422,757		(13,422,757)	0	
State University Operating Grant Increase		25,700,726		(25,700,726)	0	
Annualization of Salaries and Fringe Benefits		6,178,967		(6,178,967)	0	
<b>SUBTOTAL STATE UNIVERSITIES</b>	<b>\$571,131,585</b>	<b>\$616,434,035</b>	<b>\$548,979,735</b>	<b>(\$67,454,300)</b>	<b>(\$22,151,850)</b>	<b>-3.88%</b>
<b>TECHNICAL SCHOOLS AND COLLEGES</b>						
Postsecondary State Aid (2)	\$26,966,871	\$29,200,000	\$26,142,996	(\$3,057,004)	(\$823,875)	-3.06%
Capital Outlay Aid	2,700,000	2,700,000	2,700,000	0	0	0.00%
<b>SUBTOTAL TECH SCHOOL/COLLEGES</b>	<b>\$29,666,871</b>	<b>\$31,900,000</b>	<b>\$28,842,996</b>	<b>(\$3,057,004)</b>	<b>(\$823,875)</b>	<b>-2.78%</b>
<b>WASHBURN UNIVERSITY</b>						
Operating Grant	10,594,032	12,220,838	10,176,627	(\$2,044,211)	(\$417,405)	-3.94%
Technology Grant	38,000	38,000	38,000	0	0	0.00%
<b>SUBTOTAL WASHBURN UNIVERSITY</b>	<b>\$10,632,032</b>	<b>\$12,258,838</b>	<b>\$10,214,627</b>	<b>(\$2,044,211)</b>	<b>(\$417,405)</b>	<b>-3.93%</b>
<b>ALL SECTORS</b>						
2% Performance Funding		\$13,877,915		(\$13,877,915)	\$0	
<b>GRAND TOTAL STATE APPROPRIATIONS</b>	<b>\$716,213,913</b>	<b>\$796,891,666</b>	<b>\$689,154,266</b>	<b>(\$107,737,400)</b>	<b>(\$27,059,647)</b>	<b>-3.78%</b>

\* Includes appropriations from the State General Fund and the Economic Development Initiatives Fund.  
(1) FY 2002 SGF appropriations does not include carry-forward funds from FY 2001.  
(2) Does not include a supplemental request of \$33,129 to correct a technical error made during the 2001 legislative session.

Kansas Community Colleges - Revenue Percentages by Source for the Fiscal Year Ended June 30, 2001							
COLLEGE	STUDENT	FEDERAL	STATE	COUNTY			TOTAL
				O-D	LOCAL	OTHER	
Allen County	21.3%	0.8%	44.6%	4.3%	23.4%	5.7%	100.0%
Barton County	20.6%	0.4%	37.6%	2.3%	35.1%	4.0%	100.0%
Butler County	27.0%	0.2%	34.6%	5.7%	25.3%	7.3%	100.0%
Cloud County	19.9%	0.9%	45.9%	6.7%	22.2%	4.4%	100.0%
Coffeyville	15.8%	2.4%	19.6%	1.9%	57.0%	3.3%	100.0%
Colby	25.8%	0.0%	33.7%	5.8%	27.0%	7.7%	100.0%
Cowly County	21.0%	1.4%	42.1%	3.9%	29.7%	1.9%	100.0%
Dodge City	14.3%	2.6%	25.6%	2.3%	51.9%	3.4%	100.0%
Fort Scott	29.6%	2.6%	37.7%	4.5%	21.4%	4.1%	100.0%
Garden City	17.9%	2.3%	17.9%	1.7%	52.9%	7.3%	100.0%
Highland	23.2%	0.0%	50.7%	8.1%	13.6%	4.4%	100.0%
Hutchinson	15.2%	1.6%	30.4%	2.9%	48.5%	1.4%	100.0%
Independence	12.0%	3.3%	22.0%	1.8%	59.8%	1.2%	100.0%
Johnson County	18.4%	0.3%	20.2%	0.8%	51.9%	8.4%	100.0%
Kansas City	15.1%	0.0%	22.6%	1.0%	58.1%	3.3%	100.0%
Labette County	16.4%	2.7%	36.2%	2.6%	39.8%	2.3%	100.0%
Neosho County	19.7%	1.9%	29.3%	3.1%	44.3%	1.6%	100.0%
Pratt	18.0%	0.0%	22.4%	3.2%	46.6%	9.8%	100.0%
Seward County	16.4%	1.2%	18.2%	2.2%	56.9%	5.2%	100.0%
<b>Total Ks Comm Colleges</b>	<b>19.2%</b>	<b>0.9%</b>	<b>27.8%</b>	<b>2.6%</b>	<b>43.9%</b>	<b>5.6%</b>	<b>100.0%</b>

Compiled from a draft of the Kansas Association of Community College Business Officers' *Enrollment and Financial Statistics* (Compiled January 2002) by Kent Williams, Vice President for Finance at Butler County Community College.

Feb. 5, 2002

**KANSAS COMMUNITY COLLEGES  
Property Tax Revenues Generated**

	FISCAL YEAR 2000			FISCAL YEAR 2001			FISCAL YEAR 2002			Three Year		
	Mill Levy, FY end 6/00	Assessed Valuation, CY 1999	Revenue Generated	Mill Levy, FY end 6/01	Assessed Valuation, CY 2000	Revenue Generated	Mill Levy, FY end 6/02	Assessed Valuation, CY 2001	Revenue Generated	Valuation Change	Revenue Change	Rev. Per. Change
Allen County	22.335	63,949,116	1,428,304	19.511	63,680,932	1,242,479	16.716	69,350,419	1,159,262	5,401,303	-269,042	-18.84%
Barton County	34.680	142,925,059	4,956,641	30.760	155,158,098	4,772,663	28.500	162,826,258	4,640,548	19,901,199	-316,093	-6.38%
Butler County	19.760	290,563,515	5,741,535	17.130	306,925,001	5,257,625	15.130	355,539,675	5,379,315	64,976,160	-362,220	-6.31%
Cloud County	28.374	52,416,806	1,487,274	27.240	55,329,691	1,507,181	27.639	61,554,695	1,701,310	9,137,889	214,036	14.39%
Coffeyville	38.371	89,072,397	3,417,797	37.530	95,771,731	3,594,313	39.520	111,325,486	4,399,583	22,253,089	981,786	28.73%
Colby	27.803	62,788,613	1,745,712	25.030	65,844,856	1,648,097	24.750	71,106,757	1,759,892	8,318,144	14,180	0.81%
Cowley County	22.762	158,017,683	3,596,799	19.967	163,098,479	3,256,587	16.998	183,692,750	3,122,409	25,675,067	-474,389	-13.19%
Dodge City	25.560	181,725,990	4,644,916	25.591	188,775,807	4,830,962	25.560	194,318,724	4,966,787	12,592,734	321,870	6.93%
Fort Scott	22.140	63,088,979	1,396,790	19.615	63,144,612	1,238,582	19.615	71,654,529	1,405,504	8,565,550	8,714	0.62%
Garden City	18.570	357,837,692	6,645,046	18.528	336,069,484	6,226,695	19.691	390,694,479	7,693,165	32,856,787	1,048,119	15.77%
Highland	17.260	45,271,398	781,384	14.300	48,849,686	698,551	14.300	55,722,877	796,837	10,451,479	15,453	1.98%
Hutchinson	23.390	363,371,741	8,499,265	21.488	378,330,021	8,129,555	21.021	413,500,026	8,692,184	50,128,285	192,919	2.27%
Independence	35.947	87,510,974	3,145,757	36.817	88,192,544	3,246,985	36.549	89,766,011	3,280,858	2,255,037	135,101	4.29%
Johnson County	7.184	4,849,449,401	34,838,444	7.646	5,472,074,811	41,839,484	7.743	6,022,876,211	46,635,131	1,173,426,810	11,796,686	33.86%
Kansas City	17.424	699,078,942	12,180,751	18.350	758,855,352	13,924,996	18.350	806,388,164	14,797,223	107,309,222	2,616,471	21.48%
Labette	24.970	93,317,891	2,330,148	24.470	93,048,630	2,276,900	23.970	102,014,082	2,445,278	8,696,191	115,130	4.94%
Neosho County	29.957	69,038,355	2,068,182	27.840	68,038,355	1,894,188	29.970	76,896,549	2,304,590	7,858,194	236,408	11.43%
Pratt	39.280	75,432,127	2,962,974	39.860	76,436,528	3,046,760	38.845	76,027,289	2,953,280	595,162	-9,694	-0.33%
Seward County	27.410	193,066,158	5,291,943	26.917	197,106,855	5,305,525	26.766	217,050,515	5,809,574	23,984,357	517,631	9.78%
<b>Totals</b>		<b>7,937,922,837</b>	<b>107,159,663</b>		<b>8,674,731,473</b>	<b>113,938,127</b>		<b>9,532,305,496</b>	<b>123,942,729</b>	<b>1,594,382,659</b>	<b>16,783,066</b>	<b>15.66%</b>
without Johnson Co.		<b>3,088,473,436</b>	<b>72,321,218</b>		<b>3,202,656,662</b>	<b>72,098,643</b>		<b>3,509,429,285</b>	<b>77,307,599</b>	<b>420,955,849</b>	<b>4,986,380</b>	<b>6.89%</b>
										<b>20.09%</b>		
										<b>13.63%</b>		

Information taken from Kansas Community Colleges 'Enrollment and Financial Statistics', compiled January, 2002 - (draft copy)

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# ENROLLMENT FOR KANSAS COMMUNITY COLLEGES

June 1, 2000 - May 31, 2001<sup>1</sup>

Revised September 20, 2001

INSTITUTIONS	Enrollment June 1 - Dec 31		Enrollment Jan 1 - May 31		Enrollment Fiscal Year 2001 Total	
	Credit Hrs.	Headcount <sup>2</sup>	Credit Hrs.	Headcount <sup>2</sup>	Credit Hrs.	Headcount <sup>2</sup>
Allen County CC	19,783.0	2,504	16,570.0	2,238	36,353.0	3,483
Barton County CC	39,485.5	6,692	32,673.0	6,041	72,158.5	10,416
Butler County CC	70,102.0	9,914	53,774.0	7,772	123,876.0	12,977
Cloud County CC	20,880.5	3,745	17,374.0	3,016	38,254.5	4,999
Coffeyville CC	13,597.5	1,987	10,004.0	1,625	23,601.5	2,433
Colby CC	17,474.5	2,606	14,303.0	2,318	31,271.5 <sup>3</sup>	3,456
Cowley County CC	38,980.0	4,702	32,170.0	3,944	71,150.0	6,194
Dodge City CC	18,554.0	2,470	14,716.0	1,983	32,119.0 <sup>3</sup>	3,238
Fort Scott CC	22,045.0	2,586	15,415.0	2,391	32,709.0 <sup>3</sup>	3,871
Garden City CC	20,423.0	2,793	16,341.0	2,530	36,764.0	6,032
Highland CC	22,428.5	3,523	19,170.0	2,962	41,598.5	4,889
Hutchinson CC	36,363.0	5,414	29,982.0	4,365	66,345.0	7,370
Independence CC	10,208.0	1,426	8,522.5	1,242	18,730.5	1,983
Johnson County CC	134,392.0	19,016	111,883.0	16,028	246,064.0 <sup>3</sup>	24,924
Kansas City KS CC	48,496.0	6,718	36,969.0	5,720	85,465.0	8,828
Labette CC	20,480.0	2,840	17,006.5	2,345	37,486.5	4,122
Neosho County CC	13,393.0	1,848	10,466.0	1,482	23,859.0	2,473
Pratt CC	12,527.0	1,766	8,479.0	1,217	21,006.0	2,196
Seward County CC	15,057.0	2,328	9,153.0	1,664	22,170.0 <sup>3</sup>	2,592
<b>TOTAL</b>	<b>594,669.5</b>	<b>84,878</b>	<b>474,971.0</b>	<b>70,883</b>	<b>1,060,981.5</b>	<b>116,476</b>

<sup>1</sup> This period coincides with credit hour state aid.

<sup>2</sup> All headcount numbers are unduplicated.

<sup>3</sup> Total reported by institution - not total of 2 enrollment periods.

Source: Kansas Board of Regents

October 23, 2001

**To:** Legislative Educational Planning Committee  
**From:** Carolyn Rampey, Principal Analyst  
**Re:** Overview of the Kansas Higher Education Coordination Act

The Kansas Higher Education Coordination Act was enacted by the 1999 Legislature as SB 345 and made major changes in the role of the State Board of Regents and how postsecondary institutions are supervised and coordinated. It changed the way community colleges and Washburn University are funded and, beginning in FY 2003, provides for all public postsecondary institutions to receive funding on the basis of performance indicators.

## **The State Board of Regents—Governance, Supervision, and Coordination**

1999 SB 345 abolished the State Board of Regents that existed prior to July 1, 1999, and replaced it with a new nine-member Board appointed by the Governor that had the same statutory responsibilities as the old Board. In order to ensure continuity, the Governor reappointed members of the old Board whose terms had not expired. The chairperson of the old Board also continued to serve as chair during the first year of the new Board. SB 345 made no change to the relationship between the State Board of Regents and the six state universities that it governs.

What SB 345 did change was the relationship between the State Board and the community colleges, area vocational schools, and technical colleges that had been under the supervision of the State Board of Education. These institutions, which are under the **governance** of locally-elected boards, were placed under the supervision of the Board of Regents. Washburn University, which also has its own governing board, already was under the Board of Regents for budgetary and coordination purposes. The administration of adult basic education and adult supplementary education programs and the regulation of proprietary schools also was transferred from the State Board of Education to the State Board of Regents.

The distinctions among governance, supervision, and coordination are important. Governance is the strongest level of control and involves selecting the institutional head and being responsible for the operation and management of the institution. Supervision is a lesser form of control and generally involves establishing or administering guidelines, procedures, and standards, which may be statutory, within which an institution operates.

Coordination usually is a lesser form of control and may even be voluntary on the part of the institution.

## Changes to the State Board of Regents

In addition to making the State Board of Regents the supervisory board for the community colleges, area vocational schools, and technical colleges, SB 345 added a coordinating component which gives it the ability to do statewide planning and to develop a statewide database encompassing all of postsecondary education, including Washburn University and the private colleges and universities. The State Board is divided into three commissions—one for community colleges, area vocational schools, and technical colleges; one for the six state universities; and one for higher education coordination. Each commission has three members and, upon appointment to the Board, each member of the Board is assigned to one of the commissions. The commissions are advisory to the Board, which is, by virtue of the *Kansas Constitution* and state statutes, the policymaking body. When SB 345 was under consideration, dividing the State Board into commissions was thought to be a way for the State Board to handle its greatly-increased workload, although in practice the entire Board has met when the commissions meet. But, more importantly, the commissions were viewed as a way to guarantee that the interests of community colleges, area vocational schools, and technical colleges would be represented before the State Board and that the new coordination function would have the same prominence and visibility as governance and supervision. The duties of the commissions are shown in Attachment 1.

The State Board of Regents is charged with the following specific duties:

- Adopt and administer a comprehensive plan for coordination of higher education;
- Determine institutional roles and review institutional missions and goals;
- Develop articulation procedures among and between postsecondary institutions;
- Approve or disapprove for state funding purposes existing and proposed educational programs, courses of instruction, and program and course locations;
- Review budget requests and present a unified budget for higher education to the Governor and to the Legislature each year;
- Approve core indicators of quality performance for postsecondary educational institutions, after considering core indicators recommended by each postsecondary institution;

- Resolve conflicts among and between postsecondary educational institutions;
- Develop and implement a comprehensive plan for the utilization of distance learning technologies;
- Develop each year and recommend to the Governor and the Legislature a policy agenda for higher education that assesses priorities among proposals for policy change, programmatic recommendations, and state funding requests;
- Conduct continuous studies of ways to maximize the utilization of higher education resources and of how to improve access to postsecondary education;
- Receive and consider reports, proposals, and recommendations of commissions that are advisory to the Board and take such actions thereon as are deemed necessary or appropriate; and
- Make annual reports on its functions and duties to the Governor and the Legislature.

### **Community College Funding**

Until the passage of SB 345, community colleges received most of their state aid on the basis of payment for each credit hour generated. Counties were assessed "county out-district tuition" for each credit hour taken by a county resident who took a course from a community college located in another county, a payment which the state matched. Beginning in FY 2001, community college funding is on the basis of operating grants equal to 50 percent of the appropriation from the State General Fund for a full-time equivalent (FTE) lower-division student at the regional state universities (Emporia, Fort Hays, and Pittsburg) multiplied by the higher of the community college's FTE enrollment the current or prior year. The community college funding mechanisms existing at the time SB 345 was enacted were abolished and a hold-harmless provision ensured that no community college got less in FY 2001 than in FY 2000. The operating grants will increase by 5 percentage points each year until FY 2004, when the grants will equal 65 percent of the State General Fund appropriation per lower division student at the regional state universities. County out-district tuition is being phased out in even increments over the four-year period beginning in FY 2001 and ending in FY 2004. State aid will replace the lost revenue and will be included in the operating grant for each community college. Beginning in FY 2001, community colleges have had to use at least 80 percent of increased state aid, excluding state aid replacement for out-district tuition and adjustments for vocational education payments, for property tax relief.

The vocational education adjustment referred to was an amendment to SB 345 made by the 2000 Legislature. When SB 345 was enacted, the Legislature was aware that the legislation needed to be fine tuned and included in the bill the requirement that the State Board of Regents conduct an analysis of the funding mechanisms for community colleges and Washburn University and make a report of its findings to the Governor and the Legislative Educational Planning Committee by December 1, 1999.

The community colleges and the State Board worked out an adjustment to the community college state aid distribution formula that basically shifted money among the institutions. (The proposal was contained in HB 2996, which was enacted by the 2000 Legislature.) With the adjustment, those schools that, prior to the enactment of SB 345, received vocational funding at the rate of 1.5 times the rate for academic courses will receive, over the four-year period from FY 2001 to FY 2004, payment for vocational courses equal to 1.75 times the academic course rate. This change shifts money from those community colleges that received vocational funding at 2.0 times the academic hour rate because they were designated area vocational schools to institutions that received vocational funding at the lower rate and was viewed by the community colleges as an equalizing measure that made SB 345 more palatable. (The basic operating grant mechanism that makes community college funding a percentage of funding for the regional universities was not changed by the vocational adjustment.)

Attachment 2 contains additional information about community college funding.

### **Washburn University**

The basis for the Washburn University operating grant is almost the same as that for community colleges and will increase from 50 percent of the State General Fund appropriation for an FTE lower-division student at the regional universities in FY 2001 to 65 percent in FY 2004. (For Washburn, the operating grant is based on the higher FTE enrollment for the two most recent prior years, unlike community college funding, which is based on the higher of the current or prior year.) Out-district tuition from counties and townships in Shawnee County outside the City of Topeka will be phased out beginning in FY 2001 and ending in FY 2004 and will be replaced by state aid as part of the operating grant.

### **Regents Faculty Salary Increases**

Whatever the dollar amount of the increase community colleges will receive from operating grants, excluding state aid replacement for county out-district tuition, the same amount will be given to state universities for faculty salary increases over and above normal operating budget increases. This enhancement will end in FY 2004 when the community college operating grant is fully implemented.

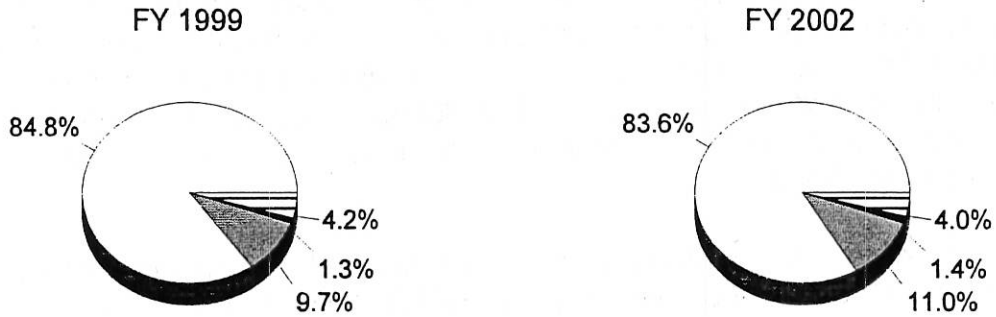
## Total Funding for Operating Expenditures

During the period from FY 1999 to FY 2002, state operating support for the postsecondary education sectors has increased by \$89.7 million (14.8 percent), from \$604.6 million to \$694.3 million. Funding of SB 345 is responsible for \$42.6 million or 47.5 percent of the total increase. This increase has not been equal across the sectors of postsecondary education, however. On a dollar basis, the increases have ranged from \$59.3 million for the state universities to \$1.4 million for area vocational schools and technical colleges. On a percentage basis, the range is from 44.8 percent for state funding for community colleges to 5.4 percent for area vocational schools and technical colleges. As noted in the pie charts below, this has also led to a shift in the overall allocations of funding among sectors.

Education Sector	Dollar Increase Since FY 1999 (in millions)	Percent Increase
State Universities	\$59.3	11.6%
Community Colleges	26.4	44.8
Washburn University	2.7	34.1
Area Vocational Schools & Technical Colleges	1.4	5.4

## State Postsecondary Education Funding

FY 1999 Total: \$604.6      FY 2002 Total: \$694.3  
(Dollars in Millions)



- State Universities
- Community Colleges
- Washburn University
- Area Vocational Schools and Technical Colleges

## Performance Funding

Beginning in FY 2003, all public postsecondary institutions under the jurisdiction of the State Board of Regents (state universities, community colleges, area vocational schools, technical colleges, and Washburn University) will be eligible for state funding based on performance indicators selected and approved by the State Board of Regents for each institution. In FY 2002, the institutions will implement institutional improvement plans and show how they will measure their performance on each indicator. Institutional improvement plans have to be revised at least every three years. Beginning in FY 2003, and annually thereafter, the Legislature will make an appropriation for performance funding to the State Board. The Board will allocate the funding on the basis of the indicators. If the Board determines that an institution has "demonstrated effectiveness in complying with its role and mission statement and has met or exceeded the core indicators of quality performance," the institution shall receive a quality performance grant in an amount that is equal to 2.0 percent of its State General Fund appropriation the prior year. (Funding for area vocational schools and technical colleges will be based on total funding for the postsecondary state aid program the prior year.) SB 10, enacted by the 2001 Legislature, makes it clear that the State Board of Regents is to consider core indicators that have been developed for each postsecondary institution. In the case of community colleges, Washburn University, area vocational schools, and technical colleges, the indicators must be developed by the respective governing board.

## Legislative Monitoring

The Legislative Educational Planning Committee has a statutory charge in SB 345 to monitor the Kansas Higher Education Coordination Act and make annual reports, including any recommendations and proposed legislation to the Governor and the Legislature. In conducting its review, the Committee should be satisfied that the Board of Regents is accomplishing the specific tasks set forth in the Act, including development and administration of a comprehensive plan to coordinate higher education; determination of institutional roles; development of a unified higher education budget; approval of institutional core indicators of quality performance; and maintenance of a uniform postsecondary education data base.

In addition, the Committee might wish to recall concerns raised at the time SB 345 was enacted and assess the extent to which the concerns have been addressed or eliminated. Examples are listed below:

- Do lay board members who have governance responsibilities for six universities and a medical center have the time to devote to the supervision of community colleges, area vocational schools, and technical colleges and the coordination of all postsecondary education, including independent colleges and universities?

- With regard to the institutions the Board supervises (community colleges, area vocational schools, and technical colleges), how is the relationship with the Board of Regents different from that with the State Board of Education? Has the nature of supervision changed?
- What evidence is there that the sectors are better coordinated and that putting all public postsecondary institutions under a single board has made a difference?
- Are there adequate resources to fully implement and maintain the Act? Has putting all public postsecondary institutions under the same board resulted in funding shifts among the sectors?
- Has implementation of the Act resulted in changes or improvements for students, such as greater ease in transferability between institutions or enhanced delivery of programs and services through cooperative agreements or distance learning?
- Has SB 345 improved access to postsecondary education or made better use of resources due to improved delivery of services?



## ATTACHMENT 1

### Commission for the State Universities

- Propose rules and regulations to the State Board concerning the operation and management of the state universities;
- Initiate plans for institutional advancement and new educational programs and courses of instruction;
- Formulate budget requests for the state universities;
- Make recommendations to the Board with respect to the appointment of chief executive officers of the state universities;
- Review existing educational programs and courses of instruction at the state universities and make decisions with respect to the educational and economic justification for the programs and courses;
- Develop an annual policy agenda for the state universities;
- Conduct continuous studies of ways to best use resources available for state universities;
- Make reports on the performance of its functions and duties together with any proposals and recommendations at each regular meeting of the State Board of Regents; and
- Identify core indicators of quality performance for state universities.

### Commission for Community Colleges and Vocational/Technical Education

- Propose for adoption by the State Board rules and regulations for supervision of the community colleges, area vocational schools, and technical colleges;
- Initiate plans for institutional advancement and new educational programs and courses of instruction;
- Provide for statewide planning for community colleges, area vocational schools, and technical colleges;
- Review existing and proposed educational programs, courses of instruction, and program and course locations and make recommendations to the Board with respect to the approval or disapproval of such programs, courses, and locations;

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- Review requests of community colleges, area vocational schools, and technical colleges for state funding and formulate recommendations thereon;
- Identify core indicators of quality performance for community colleges, area vocational schools, and technical colleges;
- Develop an annual policy agenda for community colleges, area vocational schools, and technical colleges;
- Conduct continuous studies and make recommendations concerning ways to best use resources available for institutions under its jurisdiction; and
- Make reports on the performance of its functions and duties together with any proposals and recommendations at each regular meeting of the Board of Regents.

### **Commission for Higher Education Coordination**

- Conduct continuous review and evaluation of the comprehensive plan for coordination of higher education and make recommendations for amendment, revision, or modification of the plan;
- Review existing and proposed educational programs, courses of instruction, and program and course locations and make recommendations to the Board with respect to the coordination of programs, courses, and locations;
- Collect and analyze data and maintain a uniform postsecondary education database;
- Formulate recommendations for the resolution of conflicts among and between postsecondary educational sectors and institutions;
- Compile core indicators of quality performance for all of the postsecondary educational institutions under the Board's jurisdiction;
- Broker affiliations and mergers of postsecondary educational institutions;
- Coordinate with Washburn University and the private colleges and universities in developing a state system of higher education; and
- Make reports on the performance of its functions and duties together with any proposals and recommendations at each regular meeting of the State Board of Regents.

Attachment 2

Four-Year History of Community College Mill Levies\*

	1998	Change from Prior Year	1999	Change from Prior Year	2000	Change from Prior Year	2001 Est.	Change from Prior Year
Allen County	22.18	0.96	22.34	0.16	19.51	(2.83)	16.83	(2.68)
Barton County	33.11	1.28	34.68	1.57	30.75	(3.93)	28.50	(2.25)
Butler County	20.32	(0.76)	19.76	(0.56)	17.13	(2.63)	15.13	(2.00)
Cloud County	28.30	(1.66)	23.91	(4.39)	27.24	(3.33)	27.21	(0.03)
Coffeyville	37.80	1.59	38.37	0.57	37.53	(0.84)	39.52	1.99
Colby	24.86	1.44	27.42	2.56	25.03	(2.39)	24.75	(0.28)
Cowley County	21.86	2.89	22.76	0.90	19.97	(2.79)	17.00	(2.97)
Dodge City	25.56	0.01	25.55	(0.01)	25.99	0.43	25.56	(0.42)
Fort Scott	20.39	(0.05)	22.14	1.75	19.64	(2.50)	19.64	0.00
Garden City	16.74	(0.10)	18.57	1.83	18.53	(0.04)	19.60	1.07
Highland	18.85	(4.95)	17.26	(1.59)	14.84	(2.42)	14.84	0.00
Hutchinson	21.60	2.29	23.39	1.79	21.49	(1.90)	21.03	(0.46)
Independence	34.71	1.41	35.94	1.23	36.82	0.88	36.74	(0.08)
Johnson County	7.75	(0.79)	7.18	(0.57)	7.65	0.47	7.65	0.00
Kansas City	16.86	(0.31)	17.42	0.56	18.35	0.93	18.35	0.00
Labette	23.15	(0.66)	24.97	1.82	24.47	(0.50)	23.97	(0.50)
Neosho County	30.39	(1.92)	29.96	(0.43)	27.84	(2.12)	29.97	2.13
Pratt County	36.35	(2.51)	39.28	3.93	39.86	0.58	39.00	(0.86)
Seward County	26.98	1.34	27.40	0.42	26.92	(0.47)	26.77	(0.16)
Low	7.75		7.18		7.65		7.65	
High	37.80		39.28		39.86		39.52	
Average	24.62	(0.03)	25.17	0.55	24.19	(0.98)	23.79	(0.40)

\* Does not include county levies for out-district tuition.

Source: State Board of Regents and Kansas Association of Community College Trustees.

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A summary of community colleges mill levy changes is shown below:

	No. of Institutions			
	1998	1999	2000 (Implementation of SB 345)	2001 (estimated)
Levies decreased from prior year	10	6	14	12
Levies stayed the same	0	0	0	4
Levies increased over prior year	9	13	5	3

The information above shows that, following the implementation of SB 345, 14 community colleges reduced their millage rates in 2000 and 12 in 2001, compared to the prior year. (Nine of the 14 institutions that reduced their levies in 2000 reduced them again in 2001.)

However, changes in actual millage rates do not by themselves indicate the extent of reliance on property tax revenues when, statewide, assessed valuation is rising. The following table shows the actual amounts of revenue generated by community college mill levies for the years 1999 through 2001 (estimated).

Property Tax Revenues Generated by Community Colleges

	1999			2000			Changes in Revenue Generated From Prior Year	2001 (est.)			Changes in Revenue Generated From Prior Year
	Mill Levy	Assessed Valuation	Revenue Generated	Mill Levy	Assessed Valuation	Revenue Generated		Mill Levy	Assessed Valuation	Revenue Generated	
Allen County	22.34	\$ 63,680,932	\$ 1,422,632	19.51	\$ 67,203,273	\$ 1,311,136	\$ (111,496)	16.83	\$ 69,350,419	\$ 1,167,168	\$ (143,968)
Barton County	34.68	143,432,223	4,974,229	30.75	155,824,756	4,791,611	(182,618)	28.50	162,826,258	4,640,548	(151,063)
Butler County	19.76	306,925,001	6,064,838	17.13	333,953,087	5,720,616	(344,222)	15.13	355,539,675	5,379,315	(341,301)
Cloud County	23.91	52,823,321	1,263,006	27.24	56,979,882	1,552,132	289,126	27.21	61,554,695	1,674,903	122,771
Coffeyville	38.37	95,771,731	3,674,761	37.53	104,868,061	3,935,698	260,937	39.52	111,325,486	4,399,583	463,885
Colby	27.42	63,666,311	1,745,730	25.03	68,253,874	1,708,394	(37,336)	24.75	71,106,757	1,759,892	51,498
Cowley County	22.76	163,098,479	3,712,448	19.97	175,594,895	3,506,103	(206,345)	17.00	183,692,750	3,122,226	(383,877)
Dodge City	25.55	181,725,990	4,643,099	25.99	185,666,703	4,823,621	180,522	25.56	194,318,724	4,966,787	143,166
Fort Scott	22.14	63,144,612	1,398,022	19.64	67,063,249	1,317,122	(80,900)	19.64	71,654,529	1,407,295	90,173
Garden City	18.57	336,069,484	6,240,810	18.53	357,488,391	6,624,260	383,450	19.60	390,694,479	7,657,612	1,033,352
Highland	17.26	49,005,852	845,841	14.84	53,399,349	792,446	(53,395)	14.84	55,722,877	826,927	34,481
Hutchinson	28.39	378,330,021	8,849,139	21.49	398,435,188	8,562,372	(286,767)	21.03	413,500,026	8,694,008	131,636
Independence	35.94	87,510,972	3,145,494	36.82	88,037,006	3,241,258	95,764	36.74	89,766,011	3,298,362	57,104
Johnson County	7.18	4,849,449,401	34,838,444	7.65	5,482,711,314	41,920,811	7,082,367	7.65	6,022,876,211	46,050,912	4,130,101
Kansas City	17.42	743,548,544	12,955,590	18.35	755,317,219	13,860,071	904,481	18.35	806,388,164	14,797,223	937,152
Labette	24.97	93,048,630	2,323,424	24.47	98,368,214	2,407,070	83,646	23.97	102,014,082	2,445,278	38,208
Neosho County	29.96	69,038,355	2,068,389	27.84	71,597,036	1,993,261	(75,128)	29.97	76,896,549	2,304,590	311,329
Pratt County	39.28	75,690,939	2,973,140	39.86	76,436,528	3,046,760	73,620	39.00	76,027,289	2,965,064	(81,696)
Seward County	27.40	193,066,158	5,290,013	26.92	197,106,855	5,308,088	18,075	26.77	217,050,515	5,810,442	502,354
<b>TOTAL</b>		<b>\$ 8,009,026,956</b>	<b>\$ 108,429,049</b>		<b>\$ 8,794,304,880</b>	<b>\$ 116,422,830</b>	<b>\$ 7,993,781</b>		<b>\$ 9,532,305,496</b>	<b>\$ 123,368,135</b>	<b>\$ 6,945,305</b>

Source: Kansas Association of Community College Trustees.

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According to the information above, Pratt County is the only community college district in which assessed valuation is not expected to increase in 2001. In 2000, property tax revenues supporting community colleges increased over the prior year by almost \$8.0 million and are estimated to increase in 2001 by \$6.9 million. However, in 2000, \$7.0 million of the \$8.0 million increase was accounted for by one community college—Johnson County—and nine community colleges actually received less revenue from property taxes than the year before. These nine had both a reduction in their mill levies and a reduction in revenues generated. In 2001, it is estimated that five community colleges will receive less property tax revenue than the year before. (Because mill levies and assessed valuations for 2001 are estimated, these figures could change later in the fall.)

The table below summarizes changes in assessed valuation and property tax revenues generated for community colleges for the three-year period 1999 through 2001 (estimated):

**Summary of Assessed Valuation and  
Community College Revenue Changes  
1999 – 2001 (Est.)**

<u>Community College</u>	<u>Valuation Change</u>	<u>Revenue Change</u>
Allen County	\$ 5,669,487	\$ (255,464)
Barton County	19,394,035	(333,681)
Butler County	48,614,674	(685,523)
Cloud County	8,731,374	411,898
Coffeyville	15,553,755	724,822
Colby	7,440,446	14,162
Cowley County	20,594,271	(590,222)
Dodge City	12,592,734	323,688
Fort Scott	8,509,917	9,273
Garden City	54,624,995	1,416,801
Highland	6,717,025	(18,914)
Hutchinson	35,170,005	(155,132)
Independence	2,255,039	152,868
Johnson County	1,173,426,810	11,212,467
Kansas City	62,839,620	1,841,633
Labette	8,965,452	121,853
Neosho County	7,858,194	236,200
Pratt	336,350	(8,076)
Seward County	23,984,357	520,430
TOTAL	<u>\$ 1,523,278,540</u>	<u>\$ 14,939,083</u>

Source: Kansas Association of Community College Trustees.

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In the three-year period, valuations in community college districts have increased by \$1.5 billion, of which 77 percent of the growth is attributable to Johnson County. Community colleges as a whole have received \$14.9 million in additional revenue from the property tax, but, on an individual basis, not all institutions have received more money. The table above shows that seven community colleges actually have reduced property tax revenues over the three-year period. Of the \$14.9 million in increased revenues, almost \$14.5 million (97 percent) is accounted for by three community colleges—Johnson County (\$11.2 million), Kansas City (\$1.8 million), and Garden City (\$1.4 million). Statewide, property taxes are estimated to comprise about 42 percent of total community college revenues, with state aid operating grants accounting for 24 percent of the total and student tuition, federal funds, county out-district tuition, proceeds from the Local Ad Valorem Tax Reduction Fund, and miscellaneous revenues comprising the remaining 34 percent of revenues.

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Community College Operating Grants — FY 2001 and FY 2002 (Estimated)

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
	FY 2001 Adjusted Oper. Grant	FY 2001 FTE	FY 2002 Voc. Adj. Phase In	FY 2002 Oper. Grant Prorated	FY 2001 Prior Year Adjustment	Total FY 2002 Oper. Grant (Est.)	Increase Over Prior Year Plus Prior Year Adjustment	25 Percent County Out-District Tuition	Net Increase in State Aid	Property Tax Relief*	Enhance- ment Funding**
Allen County	\$ 2,650,809	1,211.77 \$	13,039 \$	3,032,739 \$	10,737 \$	3,056,515 \$	416,443 \$	87,933 \$	328,510 \$	252,377 \$	76,133
Barton County	5,477,961	2,405.28	55,006	6,267,230	199,174	6,521,410	1,242,623	118,431	1,124,192	855,349	268,843
Butler County	9,251,197	4,129.20	69,681	10,584,118	42,374	10,696,173	1,487,350	501,357	985,993	733,050	252,943
Cloud County	3,524,781	1,275.15	24,444	4,032,635	(101,896)	3,955,183	328,506	215,769	112,737	70,635	42,103
Coffeyville	1,422,960	786.72	17,141	1,627,981	28,625	1,673,747	279,412	40,374	239,038	177,518	61,520
Colby	2,471,440	1,042.38	24,629	2,827,527	(71,227)	2,780,929	238,262	145,542	92,720	54,473	38,247
Cowley County	5,469,630	2,371.67	0	6,257,699	411,668	6,669,367	1,611,405	256,692	1,354,713	1,083,771	270,943
Dodge City	2,307,706	1,070.63	0	2,640,202	(67,178)	2,573,024	198,140	61,863	136,277	109,022	27,255
Fort Scott	2,416,328	1,090.30	25,664	2,764,475	(69,593)	2,720,546	234,625	114,246	120,379	75,772	44,607
Garden City	2,253,121	1,225.47	44,986	2,577,752	(64,279)	2,558,459	241,059	88,641	152,418	85,945	66,472
Highland	3,301,873	1,386.62	10,607	3,777,610	(95,810)	3,692,407	294,724	198,690	96,034	68,342	27,692
Hutchinson	4,863,788	2,211.50	0	5,564,566	393	5,564,959	701,564	173,259	528,305	422,644	105,661
Independence	1,314,576	624.35	9,415	1,503,982	(37,994)	1,475,403	122,833	40,710	82,123	58,167	23,957
Johnson County	15,273,457	8,384.87	0	17,474,070	(17,887)	17,456,183	2,164,839	247,480	1,917,359	1,533,887	383,472
Kansas City	5,114,997	2,832.40	55,528	5,851,970	(124,985)	5,782,513	542,531	158,454	384,077	262,840	121,238
Labette	2,192,651	1,184.65	26,192	2,508,570	58,644	2,593,406	459,399	47,682	411,717	308,420	103,297
Neosho County	1,626,713	795.30	14,879	1,861,091	(46,921)	1,829,049	155,415	67,578	87,837	58,366	29,471
Pratt County	1,771,862	700.20	0	2,027,153	(51,579)	1,975,574	152,133	86,322	65,811	52,648	13,162
Seward County	1,381,067	777.40	21,853	1,580,052	(2,267)	1,599,638	216,304	53,118	163,186	113,066	50,120
<b>TOTAL</b>	<b>\$ 74,086,917</b>	<b>35,505.86 \$</b>	<b>413,064 \$</b>	<b>84,761,422 \$</b>	<b>(1) \$</b>	<b>85,174,485 \$</b>	<b>11,087,567 \$</b>	<b>2,704,141 \$</b>	<b>8,383,426 \$</b>	<b>6,376,292 \$</b>	<b>2,007,136</b>

\* 80 percent of net increase, minus vocational funding phase in.  
 \*\* 20 percent of net increase, minus vocational funding phase in.  
 Source: State Board of Regents.

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## Community College Budgeting Process

In June, the community college board of trustees adopts a preliminary operating budget for the new fiscal year that begins on July 1. The budget, including proposed property tax mill levies, is published in July and public hearings are held in early August. The budget either is approved or adjusted in mid-August, at which point it is final.

### Revenue Sources to Fund Budget

- *State Operating Grant.* By the time the session ends, institutions know what the Legislature has appropriated and are able to estimate the amount each institution will receive. Of the increase in the state grant over the prior year:
  - 20 percent may be used for enhancements
  - 80 percent must be used for property tax relief
  
- *Student Tuition.* Student tuition is set by the board of trustees. Any changes usually are made by early spring in order to give notice to students prior to fall enrollment. The amount of student tuition the institution is expected to receive is estimated for purposes of identifying revenue sources.
  
- *Other Revenue.* Estimates are made of other revenue sources, including federal funds, proceeds from the Local Ad Valorem Tax Reduction Fund, and payments by counties for out-district tuition.
  
- *Property Taxes Balance the Budget.* Once state aid, student tuition, and other revenue sources are taken into account, the only revenue source remaining to fully fund the proposed operating budget is local property taxes.