

Approved: 2-16-93
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Keith Roe at 9:00 a.m. on February 10, 1993 in Room 519-S of the Capitol.

All members were present except:

Representative Krehbiel, excused
Representative Lowther, excused
Representative Rock, excused

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Richard Ryan, Legislative Research Department
Don Hayward, Revisor of Statutes
Bill Edds, Revisor of Statutes
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Art Griggs, Department of Administration

Others attending: See attached list

Chairperson Roe opened the hearing on HB 2266.

HB 2266 Sales of real estate for taxes.

As no one appeared to testify on HB 2266, the Chair temporarily closed the hearing.

Richard Ryan, Legislative Research Department, presented an overview on state aid to local units of government. He said that all aid, including school districts, from the general fund for FY 1992 amounted to 46.7 percent of the total general fund expenditures. If grades K through 12 were removed, aid to local units in FY 1992 was 17.9 percent of total general fund expenditures and the situation changes dramatically for FY 1993 due to the massive school aid program enacted in 1992 (Attachment 1).

Art Griggs, Department of Administration, reviewed a table showing a summary of State General Fund activities over the past several years, with FY 1993 and FY 1994 based on the Governor's recommendations for expenditures and revenues (Attachment 2).

Chris Courtwright, Legislative Research Department, reviewed a staff memorandum on recent legislative history of the property tax lid (Attachment 3).

Chairperson Roe announced that motions to amend or requests for more information were in order for HB 2210.

HB 2210 Tax lid for local governments.

A motion was made by Representative Glasscock, seconded by Representative Pottorff, to amend HB 2210 to reinstate the exemptions for mental health and mental retardation services available under the previous lid. The motion carried.

A motion was made by Representative Mays, seconded by Representative Glasscock, to amend HB 2210 to restore the home rule language and to delete the Governor's proposed mandatory elections. The motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on February 10, 1993.

A motion was made by Representative Larkin, seconded by Representative Glasscock, to amend HB 2210 to allow a choice between 1991 and 1992 as the base year. The motion carried.

A motion was made by Representative Larkin, seconded by Representative McKinney, to amend HB 2210 to repeal all the existing levy rates. After Committee discussion, Representative Larkin withdrew his motion.

A motion was made by Representative Wagnon, seconded by Representative Empson, to amend HB 2210 to restore the exemption for increases in health insurance available under the previous lid. The motion carried.

A motion was made by Representative McKinney, seconded by Representative Mollenkamp, to amend HB 2210 to add new exemptions for increases in solid waste management and water quality treatment costs mandated by state or federal law. The motion carried.

The meeting adjourned at 10:27 a.m.

The next meeting is scheduled for February 11, 1993.

Date: 2/10/93

GUEST REGISTER

HOUSE COMMITTEE ON
ASSESSMENT AND TAXATION

[illegible]

State Aid to Local Units of Government (In Thousands)

From State General Fund	Actual	Gov. Est.	Gov. Rec.	Incr. FY 1993-1994	
	FY 1992	FY 1993	FY 1994	Amount	Percent
General State Aid	\$ 526,801	\$ 941,314	\$ 1,289,949	\$ 348,635	37.0%
Supp. Gen. Aid	—	25,028	39,686	14,658	58.6
Income Tax Rebate	203,901 ^a	—	—	—	—
Transportation Aid	44,550	—	—	—	—
Cap. Improve. Aid	—	4,500	11,000	6,500	144.4
Ft. Leavenworth USD	1,608	—	—	—	—
KPERS-School	49,788	52,941	54,833	1,892	3.6
Special Education	121,078	149,026	149,026	—	—
Deaf-Blind Hand. Children	98	99	100	1	1.0
Adult Basic Ed.	187	272	298	26	9.6
Food Service	2,352	2,350	2,375	25	1.1
Bilingual Ed.	544	—	—	—	—
In-Service Training	988	2,475	2,500	25	1.0
At-Risk/Innovative	1,386	—	1,500	1,500	—
Parent Education	990	1,980	2,500	520	26.3
Subtotal, USDs	\$ 954,271	\$ 1,179,985	\$ 1,553,767	\$ 373,782	31.7
Voc. Ed. - Postsecondary	13,616	20,295	18,904	(1,391)	(6.9)
Voc. Ed. - Area Schools	7,924	—	—	—	—
Community Colleges	44,867	47,831	49,266	1,435	3.0
Adult Basic Ed. (CCs)	292	426	465	39	9.2
Washburn University	5,932	6,108	6,352	244	4.0
Public TV (Washburn)	121	122	122	—	—
Libraries	1,817	3,007	2,000	(1,007)	(33.5)
Total, Education	\$ 1,028,840	\$ 1,257,774	\$ 1,630,876	\$ 373,102	29.7
Local Prop. Tax Reduction	38,576	39,324	42,082	2,758	7.0
Co.-City Revenue Sharing	29,166	30,218	31,905	1,687	5.6
Community Corrections	8,764	11,987	11,944	(43)	(0.4)
Community Con. Camps	1,213	1,381	1,436	55	4.0
Emergency Med. Services	80	79	80	1	1.3
Soil Conservation Dist.	—	125	—	(125)	(100.0)
Watershed Construction	1,558	—	—	—	—
Local Public Health	5,682	5,953	5,991	38	0.6
Aging Dept. Programs	347	594	655	61	10.3
Community Mental Health	10,033	10,154	10,052	(102)	(1.0)
Community Mental Retardation	5,964	5,963	5,963	—	—
Community Asst. Grants	21,155	27,334	33,159	5,825	21.3
Arts Program Grants	102	3	250	247	—
Emerg. Preparedness	308	—	—	—	—
Motor Carrier Tax to CCHF	9,768	9,631	9,865	234	2.4
Pres. Primary Aid	1,291	—	—	—	—
HOME Program	—	—	549	549	—
Total, Other Programs	\$ 134,007	\$ 142,746	\$ 153,931	\$ 11,185	7.8
Total, State General Fund	\$ 1,162,847	\$ 1,400,520	\$ 1,784,807	\$ 384,287	27.4%
From Other Funds					
School District Finance Fund	\$ —	\$ 13,400	\$ 13,400	\$ —	—%
Eco. Dev. Initiatives Fund	6,517	7,208	7,647	439	6.1
Water Plan Fund	4,242	5,727	4,820	(907)	(15.8)
Alcoholic Liquor Funds	11,160	11,620	12,040	420	3.6
Mineral Production Tax	6,173	6,432	6,242	(178)	(2.8)
Highway Funds	100,929	107,271	110,078	2,807	2.6
All Other	7,086	10,997	12,085	1,085	9.9
TOTAL, OTHERS FUNDS	\$ 136,107	\$ 162,655	\$ 166,312	\$ 3,657	2.2%
TOTAL, STATE AID	\$ 1,298,954	\$ 1,563,175	\$ 1,951,119	\$ 386,908	24.8%

a) Amount actually distributed. An additional \$2.215 million was transferred from the General Fund to the School District Income Tax Fund.

2/10/93

House Taxation Cmte
Attachment 1

State General Fund Summary

	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994</u>
Beginning Balance	\$371.4	\$272.9	\$162.2	\$140.5	\$372.8
Released Encumbrances	1.2	2.4	3.7	--	--
Adjusted Balance	\$372.6	\$275.3	\$165.9	\$140.5	\$372.8
Revenues	\$2,300.5	\$2,382.3	\$2,465.8	\$2,950.8	\$3,035.5
Recommended Adjustments	--	--	--	(0.3)	(7.8)
Total Revenue	\$2,300.5	\$2,382.3	\$2,465.8	\$2,950.4	\$3,027.7
Total Available	\$2,673.1	\$2,657.6	\$2,631.7	\$3,090.9	\$3,400.5
Expenditures	\$2,400.3	\$2,495.4	\$2,491.3	\$2,718.1	\$3,172.1
Ending Balance	\$272.9	\$162.2	\$140.5	\$372.8	\$228.4
As a Percent of Expenditures	11.4%	6.5%	5.6%	13.7%	7.2%
Revenue Minus Expenditures	(\$99.7)	(\$113.1)	(\$25.5)	\$232.3	(\$144.4)
Percent Change from Prior Year					
Revenues	3.2%	3.6%	3.5%	19.7%	2.6%
Expenditures	11.1%	4.0%	-0.2%	9.1%	16.7%

Totals may not add because of rounding.

The above table presents a summary of State General Fund activities over the past several years, with FY 1993 and FY 1994 based on the Governor's recommendations for expenditures and revenues. Comparative data regarding revenues minus expenditures, ending balances, and percent changes from prior years for FY 1993 and FY 1994 are somewhat misleading as a result of the school finance package passed by the 1992

Legislature. The FY 1993 ending balance of the State General Fund includes significant resources that were anticipated for use in FY 1994 for school finance purposes. Expenditure of these funds in FY 1994 results in the relatively large excess of expenditures over revenues. **Exclusion of school finance in FY 1994 would result in expenditure increases of 3.1 percent and an excess of revenues above expenditures.**

2/10/93

House Taxation Cmte
Attachment 2

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

**300 S.W. 10th Avenue
Room 545-N – Statehouse**

Phone 296-3181

February 9, 1993

TO: Representative Keith Roe

Office No. 170-W

RE: Recent Legislative History of the Property Tax Lid

This memo is in response to your request late Friday afternoon for a brief recent history of the tax lid issue and an analysis of Governor Finney's new proposal embodied in H.B. 2210.

Original Reappraisal Tax Lid – 1985 and 1988

The 1985 reappraisal legislation which required the statewide reappraisal to become effective in tax year 1989 also contained the aggregate dollar levy limitation provision on most taxing subdivisions which has come to be known as "the tax lid." The 1988 Legislature also passed S.B. 519, which further modified the 1989 reappraisal tax lid before it was implemented. The aggregate dollar levy limit was designed to require that most taxing units (except school districts and the state) not receive any more DOLLARS than they had in the previous year, subject to some exemptions and exceptions. One reason for the implementation of such a lid for 1989 was to prevent taxing units from reaping property tax windfalls because of huge projected increases in valuation associated with reappraisal and classification. The concept of the aggregate dollar limit is not new in Kansas and dates back at least as far as 1908. According to a 1962 Research Department (Legislative Council) memo, a tax limitation act in 1908 restricted units of government to levies which would produce no more revenue than the previous year plus a 2 percent increase. This action was taken after the Tax Commission in 1907 increased the taxable valuation from \$436 million to \$2.4 billion in one year.

The reappraisal tax lid, which suspended all individual fund levy limits, required that cities and counties would be subject to the aggregate dollar limitation in 1989 and future years. Other taxing units were subject to the aggregate dollar limitation only in 1989, and individual fund levy limits which were to reapply in subsequent years were increased to account for growth in valuation after reappraisal.

One of the criticisms of the reappraisal tax lid was that there were somewhere between 56 and 60 exemptions that taxing subdivisions could utilize.

*2/10/93
House Taxation Cmte
Attachment 3*

Any local unit wanting to exempt itself from all or part of the tax lid in any year following 1989 was allowed to do so using home-rule like powers (which were subject to a protest petition).

1990 H.B. 2700

The 1990 Legislature extended the aggregate dollar limitation for an additional two years for cities, counties, townships, community colleges, and Washburn University pursuant to H.B. 2700. That legislation provided the central core for the tax lid those taxing units have operated under for the last three budget cycles.

Local units affected by the aggregate limitation were allowed to choose either 1988 or 1989 as the base year. The base was allowed to increase for (1) annexed territory; (2) increased personal property; and (3) new improvements to real property. The number of exemptions was reduced substantially to about 12.

K.S.A. 79-5022 reimposed fund levy limits on fire, cemetery, and other special districts based upon what was allowed to be levied in 1989 budgets.

1991 H.B. 2222

The 1990 tax lid was scheduled to sunset on July 1, 1991, but that sunset was extended for an additional two years pursuant to the enactment of H.B. 2222 in 1991. That legislation also added some additional exemptions to the tax lid -- for mental health and mental retardation services.

1993 H.B. 2210

H.B. 2210, which was requested for introduction by the Department of Administration last week, would reimpose a permanent aggregate dollar limit on cities, counties, townships, community colleges, and Washburn. The bill would make a number of changes to the previous tax lid. The base year would be changed to 1992. Those special districts not under the aggregate limit would have their fund levy limits adjusted to account for changes in valuation for all years subsequent to 1992, and the statutory fund levy limits would continue to be suspended. The cities, counties, townships, community colleges, and Washburn would be prohibited from levying more in dollars than they received in 1992, subject again to some exemptions and the ability to remove themselves from the tax lid.

Three of the exemptions in the previous tax lid would be left totally intact: (1) judgments, settlements, and tort liability costs; (2) principal and interest on loans, bonds, notes, and no-fund warrants; and (3) levies to finance budgets of subdivisions without their own taxing power (public libraries, recreation commissions, etc).

Three types of expenditures would remain exempt, but only for INCREASES over the 1992 amounts (the entire levies would no longer be exempt): (1) district court and juvenile detention expenses; (2) out-district tuition to community colleges and Washburn; and (3) county hospital expenses.

The employee benefit exemptions for FICA, workers compensation, and retirement would be continued, but the exemptions would be narrowed to exclude health insurance.

The exemption for levies used to offset motor vehicle tax decreases would be continued, but the 1993 budget allocation would be designated as the new base.

Finally, the following exemptions would be totally eliminated from the tax lid: (1) mental health and mental retardation levies; and (2) homes for the aged expenses.

Another substantial change from the previous lid is that any taxing unit wanting to exempt itself from all or part of the lid's provisions would be required to hold a mandatory election.

Tax Lid vs Fund Levy Limits

One of the reasons cited for reimposing some version of the tax lid is the fact that without it, literally hundreds of individual fund levy limits which had been suspended since 1988 would reapply. This could cause some substantial problems for many local units, especially in the wake of decreases in valuation in 1993 which are expected because of the new classification amendment.

I hope this information is useful to you. If you have any further need for my assistance on this matter, please do not hesitate to contact me.

Chris W. Courtwright
Principal Analyst

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