

Approved: 2/23/92  
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 19, 1993 in Room 519-S of the Capitol.

All members were present except:

Representative Grotewiel, excused  
Representative Lowther, excused  
Representative Rock, excused  
Representative Wagle, excused

Committee staff present:

Tom Severn, Legislative Research Department  
Chris Courtwright, Legislative Research Department  
Ben Barrett, Legislative Research Department  
Don Hayward, Revisor of Statutes  
Bill Edds, Revisor of Statutes  
Lenore Olson, Committee Secretary

Conferees appearing before the committee: None

Others attending: See attached list

Chairperson Roe requested the Committee to turn their attention to SB 66 which is currently in the Senate.

SB 66 State school district finance fund, sources.

Ben Barrett, Legislative Research Department, said that SB 66 is the result of a recommendation by the interim committee that was created by the school finance law passed last year. The interim committee recommended that the school finance law should be amended to discontinue earmarking of the enhanced sales and income taxes enacted by the 1992 Legislature for school district general state aid (Attachment 1).

A motion was made by Representative Wagon, seconded by Representative Empson, to introduce a bill identical to SB 66, to be effective upon publication in the Kansas Register, and to report it favorably. The motion carried.

The Chair directed the Committee to turn to HB 2027.

HB 2027 Newton city-county airport; property tax exemption.

A motion was made by Representative Glasscock, seconded by Representative Mays to amend HB 2027 to insert in line 14 after the word "airport," the words "for aircraft related purposes."

A substitute motion was made by Representative Wagon, seconded by Representative Wiard, to table HB 2027. The motion carried.

The Chair directed the Committee to turn to HB 2004.

HB 2004 Local sales taxes levied for health care services. Re proposal No. 5.

A motion was made by Representative Wagon, seconded by Representative Welshimer, to report HB 2004 favorably. The motion carried. Representatives Adkins, Allen, Brown, and Mollenkamp requested to be reported as voting no.

The minutes of February 16, 17, and 18, 1993, were approved as printed.

The meeting adjourned at 9:25 a.m.

The next meeting is scheduled for February 23, 1993.

Date: 2/19/93

# GUEST REGISTER

HOUSE COMMITTEE ON  
ASSESSMENT AND TAXATION

[illegible]



## RECOMMENDATIONS

As a result of its deliberations, the Committee submits the following recommendations.

- The school finance law should be amended to discontinue earmarking of the enhanced sales and income taxes enacted by the 1992 Legislature for school district general state aid.

The new school finance law provides that the enhanced sales and income tax revenues attributable to individual and corporate income tax rate increases and sales and use tax rate increases and exemption removal be earmarked and used for general state aid to school districts. Perhaps the main reason for the earmarking was to prevent a challenge to the constitutionality of the legislation on the grounds that it violated the "one subject" provision of the *Kansas Constitution*. In other words, earmarking the new tax revenues for general state aid to school districts provided what was considered by some to be the necessary nexus between the law's taxing provisions and its school aid distribution plan. Now that the bill has become law, there is no constitutional imperative to continue the earmarking. Another reason for the linkage could have been based purely on policy considerations. Some persons believe there is merit in establishing specific linkages between revenue sources and programs.

For both practical and policy reasons, the Committee believes the earmarking should be discontinued. This position is based partly on the view that governmental resources generally should go into a single fund and that policymakers should allocate funds to the various competing governmental purposes in accord with varying priorities that may change from time to time.

From a policy standpoint, the earmarking of these revenues for general state aid has little real meaning. Of the general state aid school districts are expected to receive in 1992-93, about 35-40 percent will be from the earmarked sources and 60-65 percent will be from the state general fund appropriation for general state aid. In other words, the Legislature is free to adjust the state general fund appropriation for school district general state aid in any manner it wishes so that the total amount of such aid, taking into account the earmarked revenues, will produce the desired result.

In fact, the earmarking policy introduces an element of uncertainty in school funding which could be eliminated if earmarking were discontinued. Now, funding for this program is, in part, dependent upon the accuracy of the estimates of the enhanced revenues and upon the timing of the flow of these revenues into the State Treasury. As the end of each fiscal year nears, uncertainty will center around whether the estimated revenues will be realized and whether the receipt of these revenues will be timely. A single legislative appropriation for general state aid to school districts would solve this problem.

Another reason for discontinuing earmarking is to eliminate the need for the State Department of Revenue to develop and maintain the elaborate accounting procedures necessary to track the increased revenues attributable to the 1992 sales and income tax laws. This responsibility, difficult enough at the present time, will become increasingly complex over time as changes in both federal and state tax laws occur.