

Approved: 3/23/93  
Date

## MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Chairperson Keith Roe at 9:00 a.m. on March 18, 1993 in Room 519-S of the Capitol.

All members were present except:

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:

Others attending: See attached list

### **SB 203** Economic development promotion; various tax adjustments.

#### **Review by staff of information requested by the Committee.**

Tom Severn, Legislative Research Department, reviewed information on electric rates in selected cities for a typical large commercial user (Attachment 1).

Ben Barrett, Legislative Research Department, reviewed information regarding the effects of school finance funding reductions under two different scenarios: (1) the appropriation for general state aid is insufficient to fund computed school district entitlements, and, (2) a decision is made by the Legislature during the course of the school year to reduce the base state aid per pupil \$3,600 amount (Attachment 2). Mr. Barrett responded to questions and said that while there have been appropriations made for this school year, the amount of money available for this year is still up for grabs and could be affected up to the end of the Legislative Session. If the \$3,600 figure is reduced, it would affect the Local Option Budget.

Chris Courtwright, Legislative Research Department, reviewed a fiscal note on the impact of exempting construction services from 4.9 percent sales tax on nonoriginal construction (Attachment 3).

#### **Committee action on SB 203.**

A motion was made by Representative Adkins, seconded by Representative Pottorff, to report SB 203 favorable for passage.

A substitute motion was made by Representative Glasscock, seconded by Representative Allen, to amend SB 203 to change the state sales tax rate from 4.9 to 5.0 percent effective June 1, 1993. The motion carried.

A motion was made by Representative Adkins, seconded by Representative Pottorff, to report SB 203 as amended favorable for passage.

A substitute motion was made by Representative Mays, seconded by Representative Crowell, to amend SB 203 to ensure that the monies to the highway fund are maintained if the general fund receipts from the state sales tax are decreased through SB 203. The motion carried with a count of 12 aye and 9 nay votes.

A motion was made by Representative Krehbiel, seconded by Representative Mays, to amend SB 203 to exempt sales tax on construction of water supply improvement systems mandated by federal and state laws and constructed by rural water districts. The motion carried.

## CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on March 18, 1993.

A motion was made by Representative Larkin, seconded by Representative Wagon, to amend SB 203 by inserting the provisions of HB 2525 on exempting propane gas from sales tax. The motion carried.

A motion was made by Representative Lahti, seconded by Representative Wagle, to amend SB 203 by inserting the provisions in SB 171 regarding exempting sales tax on fees for certain recreational activities. The motion carried with a vote count of 16 ayes to 5 nays.

A motion was made by Representative Krehbiel, seconded by Representative Larkin, to amend SB 203 to add an exemption for taxing unoriginal construction, to treat it the same as original construction. The motion failed with a vote count of 9 ayes to 13 nays.

A motion was made by Representative Wagon, seconded by Representative Glasscock, to amend SB 203 to broaden the sales tax base by including personal services such as beauty shops, barber shops and tanning salons, but not to include funerals. The motion carried with a vote count of 12 ayes to 10 nays. Representatives Adkins, Krehbiel, Larkin, Mays, McKinney, Mollenkamp, Novak, Wempe, and Wiard requested to be recorded as voting no.

A motion was made by Representative Krehbiel, seconded by Representative Wagon, to amend SB 203 to remove the 2.5 percent original construction services tax repealer provision from the bill. The motion failed.

A motion was made by Representative McKinney, seconded by Representative Wiard, to table SB 203 until April 3, 1993, after the revenue estimates arrive on April 2nd. The motion failed with a vote count of 10 ayes to 12 nays.

A motion was made by Representative Wagle, seconded by Representative Pottorff to report SB 203 as amended favorable for passage.

A substitute motion was made by Representative Rock, seconded by Representative Welshimer, to table SB 203. The motion failed by a count of 10 ayes to 12 nays.

The Chair directed the Committee back to the original motion to pass SB 203 as amended favorably. The motion carried with a vote count of 14 ayes to 7 nays.

The minutes of March 16, 1993, were approved as printed.

The meeting adjourned at 10:58 a.m.

The next meeting is scheduled for March 19, 1993.

Date:

# GUEST REGISTER

HOUSE COMMITTEE ON  
ASSESSMENT AND TAXATION

[illegible]

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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

Phone 296-3181

March 17, 1993

TO: Representative Keith Roe

Office No. 170-W

RE: Electric Bills in Selected Cities

This memorandum is in response to your request for electric rates in selected cities.

Phil Sanchez of the Kansas Corporation Commission provided the following bills for a typical large commercial user. The bill is computed on a peak load of 90 kw and total usage of 32,400 kwh. This information is from the January, 1993 edition of the Commission's "Monthly Bill Comparison."

<u>Company</u>	<u>City</u>	<u>Monthly Bill</u>
Westplains Energy	Dodge City	\$ 2,210.66
KG&E	Wichita	2,633.47
KCP&L	Kansas City	2,413.70
Western Resources	Topeka	1,396.42

I hope this information is useful to you. If you have further questions please contact me.

Thomas A. Severn  
Principal Analyst

93-5559/TS

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House Taxation Comte  
Attachment 1



**KANSAS LEGISLATIVE RESEARCH DEPARTMENT**

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

**Phone 296-3181**

March 18, 1993

TO: Representative Keith Roe

Office No. 170-W

RE: School Finance -- Funding Reduction

You asked about the effects of school finance funding reductions under two different alternatives. I hope the following explanation will prove helpful.

**Scenario 1. The Appropriation for General State Aid is Insufficient to Fund Computed School District Entitlements Therefor.**

The law does not specify a procedure to follow when appropriations for general state aid are insufficient to fund computed entitlements under the School District Finance and Quality Performance Act (SDFQPA). The consensus is that if that situation were to occur, the State Board of Education (SBOE) would prorate district general state aid entitlements. If, for example, only enough general state aid were available to fund 98 percent of the total computed entitlement, each district entitled to general state aid would receive 98 percent of its computed entitlement.

Under this approach, the burden of the proration will affect districts differently. The impact of the proration will be greater in districts having proportionately lower local effort than in districts where local effort represents a greater proportion of the district's State Financial Aid (base budget). Mainly, the difference in local effort among districts is related to property wealth, *i.e.*, the amount produced by multiplying the uniform property tax rate (32 mills in 1992) by the assessed valuation of the district. So, "poor" districts are hurt more by proration than "wealthy" districts. This point is illustrated below:

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House Taxation Cmte  
Attachment 2

	<u>"Wealthy" District</u>	<u>"Poor" District</u>
State Financial Aid/Base Budget	\$ 10,000,000	\$ 10,000,000
<u>Less</u> Local Effort	8,000,000	4,000,000
<u>Equals</u> General State Aid Entitlement	\$ 2,000,000	\$ 6,000,000
<u>Times</u> Proration Factor	.98	.98
<u>Equals</u> "Adjusted" General State Aid	\$ 1,960,000	\$ 5,880,000
So: Lost State Aid Due to Proration <u>Equals</u>	\$ 40,000	\$ 120,000

**Exhibit:**

Amount of General State Aid Lost

Per Pupil (Adjusted Enrollment of 2,777.8)	\$14.40	\$43.20
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The "Poor" district loses three times as much spending power as the "Wealthy" district. An even wealthier district, one in which the local effort equals or exceeds State Financial Aid, would lose no spending power due to an under proration of general state aid.

This scenario probably would not affect the decision a school district might make about the local option budget (LOB) because the district likely would not know in advance that the appropriation for general state aid would be underfunded.

Underfunding of the State Financial Aid (base budget) could, if extreme enough, cause difficulties to school districts in meeting their current fiscal year financial commitments.

**Scenario 2. A Decision is Made by the Legislature During the Course of the School Year to Reduce the Base State Aid Per Pupil (BSAPP) \$3,600 Amount.**

To proceed under this alternative would require some specific legislative act for modifying the \$3,600 BSAPP for the current school year.

This approach would spread the burden of the reduction equally among school districts based on enrollment. The relative "wealth" of a district would not be a factor under such a distribution. This point is illustrated below.

	<u>"Wealthy" District</u>	<u>"Poor" District</u>
A. <u>"Original"</u> State Financial Aid (Base Budget) @ \$3,600 times Adjusted Enrollment of 2,777.8 <u>Equals</u>	\$ 10,000,000	\$ 10,000,000
<u>Less</u> Local Effort	8,000,000	4,000,000
<u>Equals</u> General State Aid	\$ 2,000,000	\$ 6,000,000
B. <u>"Reduced"</u> State Financial Aid (Base Budget) @ \$3,575 times Adjusted Enrollment of 2,777.8 <u>Equals</u>	\$ 9,930,635	\$ 9,930,635
<u>Less</u> Local Effort	8,000,000	4,000,000
<u>Equals</u> General State Aid	\$ 1,930,635	\$ 5,930,635
"Lost" State Financial Aid/General State Aid (Spending Power) Due to BSAPP Reduction	\$ 69,365	\$ 69,365
<b>Exhibit</b>		
Amount of Lost General State Aid/Spending Power Per Pupil (Adjusted Enrollment)	\$24.97	\$24.97

The two districts with vastly different wealth lose the same spending power.

While it is not a matter of major consequence, a few districts could also experience some small reduction in the legally authorized LOB if the BSAPP is lowered. In 1992-93, these would be districts which are at the 25 percent cap. In future years, these would be districts in which the LOB equals the maximum percentage such districts have been authorized to use.

This scenario is not likely to have much effect on a district's use of LOB authority unless the BSAPP for a subsequent school year is reduced. If that were to occur, some acceleration of the use of the LOB authority by districts could be expected.

**Note:** Adjustment of the BSAPP is the procedure prescribed in the law to be followed in the event there is a reduction in State General Fund appropriations for general state aid under an Executive Order designed to maintain a State General Fund ending balance of \$100 million.

  
Ben F. Barrett  
Associate Director

93-5566/BFB/aem

2.3



# FISCAL IMPACT OF EXEMPTING CONSTRUCTION SERVICES FROM 4.9% SALES TAX ON NONORIGINAL CONSTRUCTION

SOURCE DATA: (1)		
TYPE OF CONSTRUCTION	CALENDAR YEAR 1987 (1)	
	VALUE OF CONSTRUCTION WORK (IN \$MILLIONS)	% OF TOTAL
MAINTENANCE AND REPAIR	\$339.665	11.7%
ADDITIONS, ALTERATIONS, OR RECONSTRUCTION	\$583.300	20.1%
OTHER	\$17.921	0.6%
NEW CONSTRUCTION	\$1,967.320	67.6%
TOTAL	\$2,908.206	32.4%

DESCRIPTION	TOTAL VALUE	LABOR PERCENT OF TOTAL VALUE		
		40.0%	50%	60%
NONORIGINAL CONSTRUCTION	\$940.886	\$376.354	<b>\$470.443</b>	\$564.532
<u>UNADJUSTED FISCAL IMPACTS</u>		<u>FISCAL IMPACT IN \$MILLIONS( AT 4.9%)</u>		
FY 1987 FISCAL IMPACT		\$18.441	<b>\$23.052</b>	\$27.662
FY 1992 FISCAL IMPACT (2)		\$23.173	<b>\$28.967</b>	\$34.760
FY 1994 FISCAL IMPACT (3)		\$25.064	<b>\$31.330</b>	\$37.596
<b>ADJUSTED FY 1994 IMPACT</b>		\$16.710	<b>\$20.888</b>	\$25.065
(Assuming 33% is already tax exempt Government, Enterprise Zone, Etc.)				

(1) U.S. DEPT. OF COMMERCE, 1987 CENSUS OF CONSTRUCTION INDUSTRIES,  
GEOGRAPHIC AREA SERIES, KANSAS

(2) USING 1992 SALES TAX GROWTH OVER 1987 OF 25.659%

(3) USING 4% GROWTH PER YEAR FROM 1992 THROUGH 1994

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House Taxation Committee

J.P. 3/18/93 9:13 AM

Attachment 3