

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 22, 1993 in Room 519-S of the Capitol.

All members were present except:

Representative Brown, excused
Representative Crowell, excused
Representative Empson, excused

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

Conferees appearing before the committee:

Representative Tim Shallenburger
Karl Peterjohn, Kansas Taxpayers Network
Karen France, Kansas Association of Realtors
Roy Clevenger, Home Owners Trust
Mike Dickson
Bob Corkins, Kansas Chamber of Commerce & Industry
John Torbert, Kansas Association of Counties
Chris McKenzie, League of Kansas Municipalities

Others attending: See attached list

Chairperson Roe opened the hearing on HCR 5017.

HCR 5017 Constitutional amendment imposing aggregate limitations upon levy of taxes and expenditures by the state and its taxing subdivisions.

Representative Tim Shallenburger testified in support of HCR 5017 and said that this bill will allow the citizens of Kansas to determine whether or not they want to impose a limit on the ability of state and local governments to raise taxes or spend money above a reasonable limit. He also said that last year Kansas had one of the largest, if not the largest, amount of overall tax increases in the entire country (Attachment 1). Representative Shallenburger responded to questions and said that he doesn't believe the emergency provisions of this bill are easy to get around, it takes a two-thirds vote.

Karl Peterjohn, Kansas Taxpayers Network, testified in support of HCR 5017. He said that this legislation is needed due to the growing problem of spending too much on government. Mr. Peterjohn also said that there is increased taxpayer concern with higher taxes and that this bill is needed to create a positive economic climate in Kansas (Attachment 2).

Karen France, Kansas Association of Realtors, testified in support of HCR 5017, stating that the government cost control amendment is an idea whose time has come and it provides many answers to questions which plague the legislature on an annual basis (Attachment 3).

Roy Clevenger, Home Owners Trust, testified in support of HCR 5017. He said that he and many of his friends are asking how the people on small pensions are going to be able to keep paying increasing taxes.

Mike Dickson, testified in support of HCR 5017 and said that this legislation is a step in the right direction and now is the time to act to pass such legislation.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on March 22, 1993.

Bob Corkins, Kansas Chamber of Commerce and Industry said that KCCI takes no position on HCR 5017 because they feel it would be too extreme. He referred to the results of an opinion survey commissioned by KCCI which indicated that 72 percent of respondents were in support of a constitutional amendment limiting state spending to the growth in Kansans' personal income, as shown on (Attachment 4).

John Torbert, Kansas Association of Counties, testified in opposition to HCR 5017 and said that the amendment is apparently trying to balance spending constraints on local government with controls on the state preventing them from passing costs down to local governments. Mr. Torbert also questioned the existing language in section (f), as shown on (Attachment 5).

Chris McKenzie, League of Kansas Municipalities, testified in opposition to HCR 5017. He said that this bill appears to be based on the presumption that our state and local government systems in Kansas are broken and in disarray, leading one to the inevitable conclusion that severe restrictions are needed (Attachment 6).

Vice-Chairperson Glasscock closed the hearing on HCR 5017.

The meeting adjourned at 10:29 a.m.
The next meeting is scheduled for March 23, 1993.

Date: 5/22/93

GUEST REGISTER

HOUSE COMMITTEE ON
ASSESSMENT AND TAXATION

[illegible]

TO: THE COMMITTEE ON TAXATION
Representative Keith Roe, Chairman
FROM: REPRESENTATIVE TIM SHALLENBURGER
RE: THE GOVERNMENT COST CONTROL AMENDMENT

On behalf of myself and the 23 co-sponsors of this bill, I would like to take this opportunity to thank the chairman and the members of this committee for the privilege of speaking here today. I have proposed this amendment several times before, but this is its first hearing and I appreciate that you are taking the time to consider it.

I cannot overemphasize how crucial an amendment such as this is at this juncture in our state's history. We are at a period in time when Government's insatiable appetite for more and more programs is feeding fiscal mismanagement, giving citizens more government than they want or need.

HCR 5017 will allow the citizens of Kansas to determine whether or not they want to impose a limit on the ability of state and local governments to raise taxes or spend money above a reasonable level. It is a simple, four page constitutional amendment that's structure and intent

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Attachment 1

are not difficult to understand. Essentially, it allows citizens the ability to realistically limit taxation by requiring elected officials to come under the same budgetary restrictions that businesses and families must deal with every day.

There are a couple of segments of the bill that I would like to highlight for clarification.

page 2, line 3

For cities and counties the Consumer Price Index is what determines the General Price Level. The state would also be prohibited from taxing above personal income levels.

page 2, line 30

This would prohibit one level of government from telling another what to do.

page 3, line 2

This allows for flexibility in that if an emergency situation arises, the Legislature and the Governor could declare an emergency and move beyond the spending limit.

page 3, line 17

This section seeks to prohibit the state from passing new responsibilities, or the financial responsibilities of a particular program, off to the local level. It mandates that the state cannot require additional activity from the local units without providing the necessary appropriations for it.

Currently, several of our surrounding states are under measures such as these. Missouri, Oklahoma, and Colorado all have significant

tax/expenditure limits in place. We have the good fortune, at this point in time, of being able to coalesce the best parts of all of these into our amendment. And again, we simply have no choice. The State of Kansas needs this today like never before.

In the last ten years, total state spending has more than doubled. Between 1980 and 1990 the number of state and local government jobs in Kansas have increased by nearly 25,000. That is 25% more than the growth of non-government jobs over the same period.

Just last year, we had one of the largest, if not the largest, amount of overall tax increase in the entire country. We must get control of this. Our government is addicted to spending and the Government Cost Control Amendment will let the people take the drug away from them.

I again thank this committee for their time and I hope you will recommend HCR 5017 for passage.

KANSAS TAXPAYERS NETWORK

Statement on H.C.R. 5017
House Taxation Committee
22 March 1993

By Karl Peterjohn
Executive Director

The citizens of Kansas need to be empowered. The citizens of Kansas need to have a bigger voice in the operation of government in this state. H.C.R. 5017 is legislation which would empower Kansans. I urge your approval of this resolution.

Since government at all levels in Kansas has been growing faster than personal income, and since there appears to be no likelihood that this trend will change, there is a compelling need for this legislation.

Kansas Taxpayers Network views this legislation as a Taxpayers Bill of Rights. It is also a critical tool if Kansas wishes to remain economically competitive with our surrounding states. Colorado, Missouri, and Oklahoma all have powerful Tax/Expenditure Limits which reduce the growth in government in those states in the future. Unless you enact H.C.R. 5017, Kansas will have nothing to protect taxpayers, and those states will enjoy a better economic climate.

The private sector is responsive to the demands placed upon it by government. Businesses looking at locating facilities in the central United States will compare the business climate in each state, and this is a comparison where Kansas does not stand close scrutiny.

Enclosed with this testimony the evidence, with footnotes, for your inspection. This material discusses taxes on individuals and taxes on business. The state of Kansas, or its political subdivisions, can not tax ourselves rich or spend ourselves wealthy. H.C.R. 5017 is needed to create a positive economic climate in Kansas.

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*House Taxation Committee
Attachment 2*

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TO: HOUSE ASSESSMENT TAXATION COMMITTEE

FROM: KAREN FRANCE, DIRECTOR, GOVERNMENTAL AFFAIRS

DATE: MARCH 22, 1993

SUBJECT: HCR 5017, GOVERNMENT COST CONTROL AMENDMENT

Thank you for the opportunity to testify. On behalf of the Kansas Association of REALTORS, I appear today to support HCR 5017.

The Government Cost Control Amendment would constitutionally control spending growth for state and local government. Spending growth would be limited to increases in the cost of living for the state. There are allowances for emergency situations for the state. But, outside of those emergency provisions, the only way this spending control can be exceeded is by a majority vote of the appropriate electorate. At the same time, the state is prohibited from requiring any new or expanded activities by taxing subdivisions or from shifting the tax burden to taxing subdivisions, without full state financing. Missouri, Oklahoma and Colorado each have similar constitutional provisions.

The Kansas Association of REALTORS feels that this government cost control amendment is an idea whose time has come. Such an amendment serves three purposes.

First, this government cost control amendment eliminates the need for tax lids. It restricts spending by local units of government without the utilization of any "loopholes" or exemptions. It is a straightforward way of limiting spending which would be in place from year to year, without having the property tax "sieve" discussions which have become an annual event. Such a spending limitation for all levels of government takes away the complaint made by local governments that the legislature is advocating spending limits for local units of government without limiting state budgets.

Second, this government cost control amendment brings both fiscal responsibility and flexibility to the government budget making process. Because the growth of government costs would be predictable from year to year, governments can establish long term planning methods, within the parameters of the cost limitations.

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Attachment 3

The logical fallout of this amendment would be that local units could be given legislative authority for alternative taxes, including additional sales tax authority, earnings tax authority or income tax surcharges. They could then alter their tax mix, as long as the total amount collected did not increase above the revenue limit provided by the amendment. By the same token, the state could change the current tax mix between income tax, sales tax, property tax etc., as long as the total amount collected did not increase above the revenue limit. Meanwhile, the tax base for all units of government would grow with new construction plus increases in the cost of living and any federal revenues which may be given.

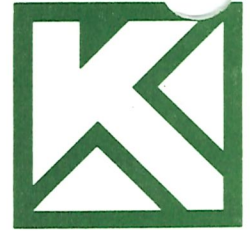
Third, this government cost control amendment would answer the demand of voters in the last election that government become more efficient and responsive. Taxpayers said over and over, "Why can't government be run like a business?". While we know it cannot be completely run like a business, a spending limitation would force the government to live within its means. A business cannot continually raise its prices in order to cover increased costs. The market prevents it. Thus businesses must continually look to keeping their costs in line if they are to survive in the market place. A cost control amendment would be the equivalent of the "market place" competition for government. It would put a limit on the income side of the balance sheet, thus providing the "incentive" to keep costs in line. Government would have to prioritize its services in order to deliver the best product for the best prices.

In summary we believe this amendment provides many answers to questions which plague the legislature on an annual basis. We believe such an amendment would help return confidence to government without placing unreasonable restrictions on the hands of government officials. We believe the people would strongly support such an amendment if given the chance to vote. We ask that you give them that chance.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

HCR 5017

March 22, 1993

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Taxation Committee

by

Bob Corkins
Director of Taxation

Mr. Chairman and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to express our thoughts on HCR 5017 and its call for tax and spending limits on both state and local government in Kansas.

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 3,000 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 55% of KCCI's members having less than 25 employees, and 86% 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.

KCCI takes no position on this measure -- although it contains many ideas which we applaud -- because we feel it would be too extreme. But before discussing specific elements of the resolution, I call your attention to a recent statewide

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Opinion survey commissioned by KCCI and performed by a Topeka based professional polling firm. Pertinent results are tabulated on the attachment to this testimony.

I don't think the proponents of HCR 5017 could have hoped for more supportive results than these. Responding about their opinion of a constitutional amendment limiting state spending to the growth in Kansans' personal income, 72% of voting age Kansans overall were in support. Furthermore, the idea got *at least* 64% support in each congressional district, from each major political party, from each age subgroup, and from each gender.

A strong plurality (49% of respondents overall) also said the best approach for dealing with state spending is to require a statewide vote to ratify any spending increase. Although this is not exactly what HCR 5017 proposes, the survey does show the popularity of requiring direct public approval -- a concept provided in HCR 5017 for specified circumstances.

That concept marks one of KCCI's areas of concern with this proposal. We have long opposed a statewide initiative and referendum process, and this idea is a very close cousin. But more importantly, we feel mandatory voter referendums as outlined by HCR 5017 would greatly bog down the appropriations process and hamstring the ability of our governments to respond to other pressing constituent needs.

We also see a drafting problem regarding the referendum issue in this resolution. Line 25 of page 1 begins: "*Notwithstanding* any other provision of this constitution..." a voter referendum is required to approve spending above the limit. Then the resolution later provides (beginning in line 38 of page 2) for emergency one-year spending above the lid *without* a voter referendum. Those clauses are contradictory and make it ambiguous as to when a referendum would truly be required.

There are other provisions in this proposal about which KCCI might quarrel. However, I'll just call your attention to a comparable approach contained in HCR 5021, a proposal developed by, drafted by, and actively promoted by KCCI. It, too, is a proposed constitutional amendment that shares the same level of survey support as HCR 5017, but does not include the referendum drawbacks and it pertains only to *state* government spending.

Although the intent of HCR 5017 is commendable, we think we have a more reasonable, more pragmatic, and more politically achievable alternative which would still be very effective.

Do you think State Government in Kansas does an excellent, good, fair, or poor job of spending taxpayers' money wisely?

	StateWide ALL (n=500)	Congressional District				Party Identification			By Age				By Gender	
		1 (125)	2 (125)	3 (125)	4 (125)	Rep (191)	Dem (164)	Ind (131)	18-29 (60)	30-49 (217)	50-64 (106)	65+ (116)	Male (250)	Female (250)
Excellent Job	0%	0%	0%	0%	2%	1%	0%	1%	0%	0%	1%	0%	1%	0%
Good Job	19%	18%	20%	23%	17%	17%	21%	21%	27%	16%	22%	20%	20%	19%
Fair Job	54%	55%	54%	58%	50%	57%	55%	51%	57%	60%	49%	47%	52%	56%
Poor Job	23%	23%	22%	16%	30%	21%	23%	24%	13%	21%	25%	28%	24%	21%
Can't Say	3%	4%	5%	2%	2%	4%	2%	3%	3%	2%	3%	6%	3%	4%

Do you think the amount of money spent by the state government is more than is needed...less than is needed...or about right?

	StateWide ALL (n=500)	Congressional District				Party Identification			By Age				By Gender	
		1 (125)	2 (125)	3 (125)	4 (125)	Rep (191)	Dem (164)	Ind (131)	18-29 (60)	30-49 (217)	50-64 (106)	65+ (116)	Male (250)	Female (250)
More Than Is Needed	47%	52%	49%	44%	43%	52%	52%	33%	25%	48%	47%	55%	42%	52%
About Right	37%	30%	36%	39%	42%	36%	32%	46%	52%	36%	37%	31%	41%	32%
Less Than Is Needed	10%	6%	7%	15%	13%	5%	13%	14%	20%	11%	9%	5%	12%	9%
Can't Say	6%	11%	8%	2%	2%	7%	2%	8%	3%	5%	7%	9%	4%	7%

Do you think the rate of growth in state government spending is more than is needed...less than is needed...or about right?

	StateWide ALL (n=500)	Congressional District				Party Identification			By Age				By Gender	
		1 (125)	2 (125)	3 (125)	4 (125)	Rep (191)	Dem (164)	Ind (131)	18-29 (60)	30-49 (217)	50-64 (106)	65+ (116)	Male (250)	Female (250)
More Than Is Needed	55%	63%	43%	57%	58%	57%	55%	53%	45%	58%	54%	57%	57%	54%
About Right	28%	22%	34%	33%	22%	30%	26%	27%	32%	26%	29%	27%	27%	28%
Less Than Is Needed	10%	7%	11%	7%	14%	5%	14%	13%	17%	8%	8%	11%	11%	9%
Can't Say	7%	8%	12%	3%	5%	8%	5%	7%	7%	7%	8%	5%	5%	9%

Which one of the two methods do you think would be preferable?

Limiting state spending to the growth in personal income, which measures people's ability to pay, or limiting it to growth in the Consumer Price Index, which measures inflation?

	StateWide ALL (n=500)	Congressional District				Party Identification			By Age				By Gender	
		1 (125)	2 (125)	3 (125)	4 (125)	Rep (191)	Dem (164)	Ind (131)	18-29 (60)	30-49 (217)	50-64 (106)	65+ (116)	Male (250)	Female (250)
Personal Income Growth	59%	63%	53%	59%	60%	59%	54%	63%	67%	59%	58%	55%	60%	58%
Consumer Price Index	28%	18%	28%	33%	33%	28%	30%	28%	28%	30%	25%	27%	29%	27%
Can't Say	13%	18%	19%	8%	7%	13%	16%	9%	5%	11%	17%	18%	11%	15%

In general, which one of the following approaches do you think would be the best for dealing with the size and growth of state government spending?

	StateWide ALL (n=500)	Congressional District				Party Identification			By Age				By Gender	
		1 (125)	2 (125)	3 (125)	4 (125)	Rep (191)	Dem (164)	Ind (131)	18-29 (60)	30-49 (217)	50-64 (106)	65+ (116)	Male (250)	Female (250)
Require that state spending growth cannot exceed the growth rate of Kansans' personal incomes	39%	38%	38%	37%	43%	41%	39%	35%	30%	41%	41%	39%	37%	41%
Leave the size and growth of state spending up to the decision of the governor and legislature	10%	6%	7%	14%	10%	7%	14%	8%	5%	9%	12%	10%	13%	6%
Require a statewide vote, to ratify any increase in total state spending	49%	53%	51%	47%	45%	49%	44%	56%	62%	47%	47%	47%	48%	50%
[Don't Know]	2%	3%	3%	2%	2%	2%	3%	1%	3%	2%	0%	4%	3%	2%

As far as state spending is concerned, which one of the following comes closest to your own view?

	StateWide ALL (n=500)	Congressional District				Party Identification			By Age				By Gender	
		1 (125)	2 (125)	3 (125)	4 (125)	Rep (191)	Dem (164)	Ind (131)	18-29 (60)	30-49 (217)	50-64 (106)	65+ (116)	Male (250)	Female (250)
We should limit the growth of state spending	39%	41%	35%	43%	38%	40%	38%	37%	45%	40%	45%	29%	38%	40%
We should freeze state spending at current levels	14%	14%	15%	13%	15%	15%	15%	14%	17%	15%	11%	14%	16%	12%
We should reduce the level of state spending	37%	37%	42%	27%	41%	35%	38%	38%	28%	34%	35%	47%	35%	38%
None of the above	6%	6%	2%	14%	3%	7%	8%	5%	10%	8%	5%	3%	7%	6%
[Don't Know]	4%	2%	6%	3%	3%	4%	1%	6%	0%	3%	4%	6%	4%	3%

Some have suggested amending the Kansas Constitution to require that the percentage growth in State Government spending cannot be any larger than the percentage growth in the Total Personal Incomes of Kansas residents.

Would you be in favor or opposed to such an amendment to the Kansas Constitution?

.....Strongly, Moderately, or only Slightly in favor?
Strongly, Moderately, or only Slightly opposed?

	StateWide ALL (n=500)	Congressional District				Party Identification			By Age				By Gender	
		1 (125)	2 (125)	3 (125)	4 (125)	Rep (191)	Dem (164)	Ind (131)	18-29 (60)	30-49 (217)	50-64 (106)	65+ (116)	Male (250)	Female (250)
In Favor-Strongly	37%	27%	38%	46%	36%	39%	31%	45%	32%	36%	46%	33%	38%	36%
In Favor-Moderately	30%	42%	30%	18%	30%	31%	30%	24%	37%	32%	26%	24%	29%	30%
In Favor-Slightly	5%	6%	3%	2%	8%	6%	5%	3%	10%	4%	3%	7%	5%	5%
Opposed-Slightly	5%	2%	2%	9%	6%	3%	6%	5%	7%	5%	5%	3%	6%	3%
Opposed-Moderately	7%	2%	6%	11%	8%	5%	7%	8%	5%	8%	6%	7%	9%	5%
Opposed-Strongly	5%	4%	5%	6%	6%	4%	8%	5%	7%	5%	5%	6%	6%	4%
No Opinion	12%	16%	16%	7%	7%	12%	13%	10%	3%	10%	9%	21%	6%	17%
In Favor-Total	72%	75%	71%	66%	74%	76%	66%	73%	78%	72%	75%	64%	72%	71%
Opposed-Total	17%	9%	13%	26%	19%	12%	21%	18%	18%	18%	15%	16%	22%	12%
No Opinion	12%	16%	16%	7%	7%	12%	13%	10%	3%	10%	9%	21%	6%	17%



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Saline County Sheriff
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Executive Director
John T. Torbert, CAE

March 23, 1993

TESTIMONY

To: House Taxation Committee

From: John T. Torbert, CAE
Executive Director

Subject: H.C.R. 5017

The Kansas Association of Counties is opposed to H.C.R. 5017. Our opposition is based on the following points.

First of all, the amendment is apparently trying to balance spending constraints on local government with controls on the state preventing them from passing costs down to us. The controls on the state are found in Section (f) on page three. While we applaud the intent of such language, we do not think that it is sufficiently strong to afford local government with the necessary protection from unfunded mandates.

KAC is currently involved in a research project on the nature and extent of state mandates. This study has been going on for more than two months now. As part of this research, we have examined mandate protection language that exists in other state's laws or constitutions. We have also talked with interested parties in those states to find out what works and what doesn't. It was of no surprise to us that the state legislatures, when pressed, usually found ways to circumvent measures such as this.

Based on our research, I see the following problems with the existing language in section (f). First of all, there is no independent authority given to any entity to make the determinations required by this section. Who decides when a reduction in "the state financed proportion of the costs of any existing activity or service required of taxing subdivisions of the state" has occurred - the state of the local governments? Who decides if there is a "new activity or service or an increase in the level of any activity

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House Taxation Cmte
Attachment 5

or service beyond that required by existing law" . . . the state or local governments? Who decides if a state appropriation is sufficient to "pay the taxing subdivision for any increased costs" - the state or the local governments? My guess would be that you would not turn the authority for making these determinations over to local government. This would put you in the position of both making the rules and enforcing the rules. We do not find excessive comfort with the language in this section with the above scenario - especially given the track record that other states have shown in similar circumstances.

Our second basis of opposition is philosophical. Subjecting any sort of a tax increase to the voters for their approval is a step backward. Our system of government, be it local or state, is a representative democracy. People elect people to represent them and empower them through the electoral process to make certain decisions - taxation and spending levels principal among them. If the electorate is dissatisfied by those decisions, they have the ultimate control, the ballot box. For centuries, this system has generally served us very well.

The amendment also focuses on growth in personal income as the basis upon which spending increases are allowed. This is precisely the wrong measure to use. Like it or not, when personal income declines is when government is usually needed the most. Welfare costs go up, unemployment costs go up, the need for government provided medical care increases etc. You will be imposing restrictions on yourself as state legislators and on local government that will hit the hardest when flexibility is the most necessary. I would urge you to talk to your colleagues in other states where similar restrictions have been imposed and ask them if they would make the same decision if they had it to do over again.

The content of this amendment in many ways reminds me of the term limits issue. It is, in a certain sense, a tacit acknowledgement that there is some external force needed to control spending - that state and local officials are not capable on our own of making responsible financial decisions. I urge you to reject that philosophy and to oppose this amendment.



**THE LEAGUE
OF KANSAS
MUNICIPALITIES**

**Municipal
Legislative
Testimony**

AN INSTRUMENTALITY OF KANSAS CITIES 112 W. 7TH TOPEKA, KS 66603 (913) 354-9565 FAX (913) 354-4186

TO: House Committee on Taxation

FROM: Chris McKenzie, Executive Director

DATE: March 22, 1993

SUBJECT: House Concurrent Resolution No. 5017

Thank you for the opportunity to appear in opposition to HCR 5017 on behalf of the over 500 member cities of the League of Kansas Municipalities. The basic question raised by this measure is: "How tight of a straightjacket should we put on state and local taxation and spending?" From a broader perspective HCR 5017 appears to be based on the presumption that our state and local government tax systems in Kansas are broken and in disarray, leading one to the inevitable conclusion that severe restrictions are needed. We respectfully suggest that this is not the case, and I will provide some information that we respectfully suggest supports this conclusion.

I. The Factual Basis

Let's review some basic facts to determine whether tax policy appears to be out of control in Kansas. In a recently released publication, Significant Features of Fiscal Federalism, Volume 2 (September, 1992), the Advisory Commission on Intergovernmental Relations provides a snapshot of the general level and comparative reasonableness of state and local taxes in Kansas in comparison to other states in our region and in the country. Attachment I (Table 93) reveals that in 1990 Kansans paid \$1,310 per capita in taxes and charges to directly to local governments while \$1,293 was paid nationally and \$1,178 was paid regionally. When intergovernmental transfer payments were included, Kansans paid \$250 less than the national average and \$23 less than the regional average.

Attachment II (Table 95) illustrates that Kansas compares quite favorably on a regional and national basis when state and local tax revenue as a percentage of personal income is compared for selected years between 1953-1990. In each year for which data is supplied, the percentage rate for Kansas is lower than both our regional average and the national average.

Attachment III (Table 97) demonstrates the per capita effects of both state and local tax revenues for selected years between 1953 and 1990. Except for the early years of 1953 and 1965, per capita state and local tax revenues for Kansas have always been below the national average. For 1990 and in six of the 11 other years for which data are reported per capita state and local revenues in Kansas have been below our regional average.

Finally, Attachment IV illustrates Kansas' comparative ranking nationally in terms of per capita revenues and expenditures for state and local government. In all revenue categories this exhibit indicates that in 1990 state and local revenues were six to eleven percentage points lower than the national average (indexed to equal 100) in terms of per capita revenue and the percentage of the personal income on Kansans devoted to state and local government.

3/22/93
House Taxation Committee
Attachment 6

II. General Objections

Most Kansans are for limited government spending, yet our pattern of creating governmental units since the inception of statehood (i.e., we are either third or fifth in the nation) suggests that we are not advocates of limited government. In fact, the history of Kansas suggests that Kansans expect a lot from government--especially at the state and local levels. The taxpaying public has every right to expect the best value for their tax dollar. We should be cautious not to confuse the dissatisfaction with the federal government of recent years with general dissatisfaction with state and local governments.

Our general objections to HCR 5017 fall into the following categories:

1. **It Is Not Supported By A Factual Basis.** The data mentioned above and in the attached tables do not support the argument that rigid taxation and spending restrictions are needed.
2. **It Ignores The Harsh Consequences of Federal Mandates.** Both the state and local units of government are faced with increasingly expensive federal mandates. These mandates consume precious revenue capacity and require reductions in or complete elimination of other state and local programs which have public merit. Why should we spend less on water quality, parks, roads, mental health or public health because Congress thinks public employees should be paid more overtime or vaccinated for bloodborne pathogens? If we want only the amount of government and taxation that the federal government determines is good for us, we will lose all capacity to govern ourselves.
3. **It Will Likely Have Long Term Negative Economic Consequences.** The proponents of this measure will no doubt point to what they believe are "successes" with similar measures in California, Missouri, and Colorado (most recently). One needs only point to story after story of disinvestment by state and local governments in infrastructure and human services in these states to see a pattern which Kansans should be reluctant to emulate. California is now experiencing record unemployment, and since the passage of its constitutional amendment last November Coloradans are beginning to hear about the governmental services it will cause to be discontinued. In Kansas we have traditionally believed it is necessary to have a certain level of "public infrastructure" to support private economic activity. With the recent loss of jobs in the Wichita area and elsewhere throughout the state we have to be extremely careful to avoid measures that offer simplistic answers. The fact is that the legislative process offers the best opportunity to create the right balance between the need for public services and the ability of the public to pay.

III. Specific Objections

The League has a number of specific objections with how HCR 5017 affects local units of government, specifically cities:

1. **It Undermines Home Rule.** Since the passage of Article 12, Section 5 of the Kansas Constitution in 1960, municipal governing bodies have shared a high degree of authority with their constituents. Unless the legislature requires a mandatory referendum (e.g., local retailers' sales tax), municipal governing bodies are empowered to levy taxes, charges, fees, etc. through a charter ordinance type procedure. Such measures may be submitted to the electorate for approval. At a minimum, they are subject to a petition for a referendum. No similar controls exist on the state itself. In fact, in addition to such measures cities are the only unit of government in Kansas today that are subject to initiative and referendum (see K.S.A. 12-3013).

2. **Vagueness.** Numerous aspects of HCR 5017 are extremely vague, providing a basis for endless litigation and expense to voters. For instance, in paragraph (g) reference is made to the

broadening of the base of an existing tax and adjustments as a result thereof. No indication is provided as to a procedure for determining whether a local tax base has broadened and who will be responsible for making such a determination. Keep in mind that the constitution and HCR 5017 would permit home rule taxes, so such a question is not just theoretical.

3. No Exemption for Legal Judgments. At times it becomes necessary for cities to levy taxes to pay court imposed judgments or legal settlements. HCR 5017 would require voter approval for such payments. In the instance of judgments, such a requirement would impose an impermissible separation of powers conflict.

4. No Emergency Procedures For Local Units. The drafters of HCR 5017 failed to include an emergency taxation provision for cities and other local units as they did in paragraph (d) for state government. As the providers of many basic services for which emergency needs could clearly arise (e.g., police, fire, sewer, water, etc.), cities should and presently do have the same powers.

5. No Protection From Federal Mandates. As mentioned above, municipal budgets are at the mercy of federal and state mandates. Nowhere is protection afforded from the cost impacts of federal mandates on local units of government. If this sounds abstract, consider the cost impacts of the Fair Labor Standards Act for overtime payments, the federal Underground Storage Tank Act for removal and mitigation, OSHA bloodborne pathogen vaccination requirements (costing the City of Pittsburgh, for example, \$10,000), and the Americans With Disabilities Act (estimated to cost the City of Overland Park more than \$1,000,000).

IV. State Mandates

It is difficult to end this testimony without some supportive comment about paragraph (f) of HCR 5017. Unfunded state mandates are beginning to rival unfunded federal mandates in their devastating effects on municipal budgets. We do appreciate the inclusion of this provision in this measure, but even its beneficial effects could not outweigh the serious consequences that could befall the cities of the state if the balance of HCR 5017 is enacted. We hope the legislature addresses the issue of unfunded state mandates in the near future. Until it does so, all the statements about the beneficial effects of a property tax lid will be hyperbole.

Thank you for this opportunity to testify.

Table 93
Local General Revenue, Per Capita, FY 1990

Region and State	Total	Intergovernmental			Own-Source								Current Charges	All Other ²	Exhibit: 4/1/90 Population (thousands)
		Total	from		Total	Total	Property	Taxes							
			Federal	State				General Sales	Individual Income	Corporation Income	Other ¹				
United States	\$2,060	\$767	\$74	\$693	\$1,293	\$809	\$602	\$87	\$38	\$7	\$74	\$293	\$192	248,710	
New England	1,781	645	71	575	1,136	891	873	†	n.t.	n.t.	18	173	72	13,206	
Connecticut	1,878	584	50	535	1,293	1,072	1,056	n.t.	n.t.	n.t.	16	139	83	3,287	
Maine	1,468	542	54	489	926	703	696	†	n.t.	n.t.	7	159	64	1,277	
Massachusetts	1,916	819	94	725	1,098	802	777	n.t.	n.t.	n.t.	25	220	75	6,011	
New Hampshire	1,610	249	47	202	1,362	1,154	1,146	n.t.	n.t.	n.t.	8	149	59	1,109	
Rhode Island	1,401	465	60	405	936	808	796	n.t.	n.t.	n.t.	12	80	49	1,003	
Vermont	1,466	473	49	424	994	826	821	n.t.	n.t.	n.t.	5	105	62	563	
Mideast	2,662	938	113	826	1,724	1,264	843	127	149	42	103	276	184	43,656	
Delaware	1,379	665	61	604	714	362	304	n.t.	36	n.t.	21	227	125	666	
District of Columbia ³	7,257	2,635	2,635	-	4,622	3,806	1,198	769	1,051	231	558	363	453	607	
Maryland	1,889	596	87	508	1,293	956	555	n.t.	288	n.t.	113	188	148	4,781	
New Jersey	2,258	754	50	703	1,504	1,169	1,146	n.t.	n.t.	n.t.	23	200	135	7,730	
New York	3,470	1,216	89	1,127	2,253	1,676	1,023	282	143	93	135	390	187	17,990	
Pennsylvania	1,852	705	73	631	1,147	746	501	n.t.	159	n.t.	86	187	214	11,882	
Great Lakes	1,857	667	63	604	1,190	806	653	50	58	n.t.	44	235	150	42,009	
Illinois	1,892	562	82	480	1,330	974	734	135	†	n.t.	105	217	139	11,431	
Indiana	1,660	663	44	620	997	531	472	n.t.	45	n.t.	14	272	195	5,544	
Michigan	1,933	677	52	625	1,256	847	785	n.t.	42	n.t.	21	254	154	9,295	
Ohio	1,773	663	70	593	1,110	759	515	50	167	n.t.	27	210	141	10,847	
Wisconsin	2,043	905	47	858	1,137	749	729	5	n.t.	n.t.	15	256	132	4,811	
Plains	1,833	655	74	581	1,178	695	576	61	12	n.t.	46	279	205	17,660	
Iowa	1,813	675	67	608	1,137	688	660	11	1	n.t.	16	300	148	2,777	
Kansas	1,810	497	27	470	1,313	771	646	82	n.t.	n.t.	43	262	280	2,478	
Minnesota	2,527	1,104	123	981	1,423	746	707	3	n.t.	n.t.	36	349	328	4,375	
Missouri	1,376	451	62	389	925	586	339	126	41	n.t.	80	225	114	5,117	
Nebraska	1,816	422	62	361	1,393	856	761	57	n.t.	n.t.	38	362	175	1,578	
North Dakota	1,512	628	83	545	883	509	473	20	n.t.	n.t.	16	148	227	639	
South Dakota	1,333	370	75	294	963	728	583	114	†	n.t.	32	138	97	696	
Southeast	1,714	649	60	588	1,065	571	400	83	7	n.t.	80	316	179	59,259	
Alabama	1,327	518	48	471	808	383	141	145	13	n.t.	84	313	112	4,041	
Arkansas	1,107	499	37	462	608	312	225	56	n.t.	n.t.	30	191	106	2,351	
Florida	2,138	692	67	624	1,446	719	588	2	n.t.	n.t.	129	405	322	12,111	
Georgia	1,940	620	70	550	1,321	708	490	134	n.t.	n.t.	84	432	181	6,011	
Kentucky	1,191	533	49	484	658	339	170	n.t.	93	n.t.	77	167	152	3,600	

Table 95
State and Local Tax Revenue as a Percentage of Personal Income, Selected Years 1953-1990¹

Region and State	1990	1989	1988	1987	1986	1985	1984	1981	1978	1975	1965	1953
United States	11.5%	11.6%	11.6%	11.5%	11.3%	11.6%	11.7%	11.3%	12.8%	12.3%	10.5%	7.6%
New England	10.8	10.9	11.1	11.6	11.3	11.4	11.5	11.8	13.5	12.8	10.0	7.9
Connecticut	10.9	10.8	10.8	11.4	10.8	11.0	11.2	10.2	11.6	10.8	9.1	6.1
Maine	12.1	13.0	13.3	12.8	12.0	12.4	12.6	11.9	13.3	12.6	11.0	9.0
Massachusetts	10.8	11.0	11.4	11.9	11.8	11.7	11.7	13.3	15.1	14.2	10.2	8.8
New Hampshire	8.3	8.5	8.4	9.0	8.4	8.7	9.3	8.7	10.5	10.8	9.5	8.3
Rhode Island	11.3	11.2	11.8	11.9	11.1	11.6	12.1	11.5	12.5	11.9	10.2	7.0
Vermont	12.0	12.2	13.3	12.4	12.4	13.0	12.9	12.6	14.5	15.5	12.7	9.6
Mideast	12.9	13.1	13.4	13.4	13.1	13.5	13.7	13.1	14.5	13.9	10.5	7.5
Delaware	10.8	11.7	11.6	11.9	11.9	11.6	11.2	10.8	12.3	11.7	9.0	4.2
District of Columbia	17.0	16.8	17.0	15.8	15.1	14.8	14.6	14.7	13.6	10.7	8.1	5.9
Maryland	11.2	11.5	11.7	11.5	11.2	11.4	11.7	11.2	13.0	12.3	9.3	6.3
New Jersey	10.6	11.0	11.0	11.4	10.9	11.4	11.7	11.2	12.4	11.6	9.1	6.6
New York	15.7	15.7	16.4	16.3	15.8	16.3	16.5	15.8	17.2	16.7	11.9	8.8
Pennsylvania	10.6	10.7	10.8	11.0	10.9	11.2	11.4	10.9	12.3	11.7	9.5	6.2
Great Lakes	11.2	11.4	11.3	11.2	11.2	11.3	12.0	10.6	11.6	11.4	9.7	6.8
Illinois	10.9	10.7	10.9	10.6	10.5	10.7	11.4	11.1	11.8	11.7	8.9	6.4
Indiana	10.2	10.8	10.4	10.0	9.9	10.1	10.5	9.2	10.3	11.2	10.2	7.1
Michigan	11.8	12.2	12.2	12.1	12.6	12.8	13.8	11.6	12.7	11.7	10.7	7.3
Ohio	10.9	11.0	10.8	10.9	10.7	10.8	11.1	9.2	9.9	9.7	8.6	5.9
Wisconsin	12.6	13.1	13.0	12.9	13.2	12.9	13.8	12.2	14.2	13.8	12.6	8.9
Plains	11.1	11.4	11.3	10.8	10.4	10.8	11.4	10.5	11.8	11.7	10.8	8.3
Iowa	11.6	12.2	11.9	11.4	11.1	10.9	11.9	11.1	11.6	12.1	11.6	9.2
Kansas	10.9	11.0	11.2	10.4	10.2	10.3	10.3	10.0	11.3	10.9	11.7	8.7
Minnesota	13.0	13.3	13.4	12.8	12.2	13.4	14.4	12.0	14.2	13.9	12.7	9.4
Missouri	9.3	9.5	9.4	9.1	8.8	9.0	9.3	8.8	9.9	10.4	8.7	6.1
Nebraska	11.1	11.5	11.1	10.6	10.0	10.1	11.1	10.4	12.2	11.0	9.3	7.7
North Dakota	11.1	11.7	10.8	10.1	10.6	11.0	11.5	11.2	11.6	11.0	11.8	11.3
South Dakota	10.0	10.4	10.7	10.1	10.2	9.5	10.0	10.9	11.5	11.6	12.6	10.8
Southeast	10.4	10.5	10.4	10.3	10.1	10.3	10.2	10.1	11.0	10.7	10.0	7.9
Alabama	9.5	9.7	9.5	9.7	9.7	10.0	10.0	9.9	10.2	9.9	9.7	7.0
Arkansas	9.6	9.8	9.8	9.4	9.7	9.9	9.7	9.3	10.2	9.9	9.8	7.9
Florida	10.0	10.1	10.0	9.6	9.5	9.6	9.5	9.3	10.6	9.9	10.5	9.2
Georgia	11.2	10.8	10.6	10.4	10.4	10.5	10.5	10.6	11.3	10.8	10.0	7.5
Kentucky	10.7	10.8	10.6	10.8	10.2	10.0	10.2	10.3	11.3	11.3	9.6	7.5
Louisiana	11.6	11.5	11.4	10.9	11.2	12.1	10.9	11.5	12.3	13.0	12.1	10.0

Table 97
State and Local Tax Revenues, Per Capita, Selected Years, 1953-1990

Region and State	1990		Per Capita Indexed to U.S. Average (U.S. = 100)										
	Taxes Per Capita ¹	Indexed to U.S. Average	1989	1988	1987	1986	1985	1984	1983	1980	1975	1965	1953
United States	\$2,017	100	\$1,888	\$1,772	\$1,665	\$1,547	\$1,465	\$1,356	\$1,214	\$987	\$664	\$264	\$132
New England	2,307	114	117	117	119	115	111	110	110	98	99	100	105
Connecticut	2,675	133	133	129	133	126	124	122	118	108	105	110	107
Maine	1,974	98	103	103	97	91	91	91	89	87	86	88	97
Massachusetts	2,360	117	122	122	126	125	117	114	117	126	123	114	127
New Hampshire	1,690	84	85	83	83	79	77	81	78	75	79	84	97
Rhode Island	2,037	101	101	104	103	99	101	103	107	101	97	100	104
Vermont	2,009	100	98	105	98	96	95	94	94	91	105	105	104
Mideast	2,635	131	131	132	133	131	129	129	127	122	116	110	100
Delaware	2,058	102	107	105	105	107	106	103	105	107	109	114	76
District of Columbia	3,806	189	197	188	185	177	172	170	176	149	114	109	100
Maryland	2,305	114	117	118	114	113	111	111	111	112	110	99	92
New Jersey	2,519	125	129	125	126	121	119	121	120	115	109	102	108
New York	3,267	162	162	166	167	164	159	157	156	151	154	141	140
Pennsylvania	1,859	92	92	92	93	94	95	97	96	99	96	93	86
Great Lakes	1,956	97	97	97	97	99	99	102	100	97	98	102	103
Illinois	2,102	104	99	101	99	100	101	104	103	110	110	101	102
Indiana	1,631	81	84	81	78	79	81	81	75	75	87	97	98
Michigan	2,068	103	105	106	107	110	110	116	113	109	103	110	111
Ohio	1,813	90	90	88	91	91	91	92	91	82	80	85	86
Wisconsin	2,090	104	107	107	107	112	110	115	117	107	108	117	118
Plains	1,851	92	92	93	90	90	92	95	95	92	91	96	92
Iowa	1,881	93	93	93	92	92	91	94	96	98	96	105	105
Kansas	1,848	92	91	95	91	90	93	93	93	94	90	103	111
Minnesota	2,305	114	114	117	114	111	121	126	121	114	114	113	114
Missouri	1,551	77	77	77	75	74	74	75	77	77	79	84	78
Nebraska	1,815	90	89	88	88	86	85	91	94	98	87	83	94
North Dakota	1,568	78	78	78	77	83	93	98	91	86	92	94	105
South Dakota	1,447	72	70	75	72	74	71	72	75	80	82	91	105
Southeast	1,618	80	80	79	77	78	77	76	76	74	73	70	71
Alabama	1,328	66	66	64	65	66	68	68	66	66	62	64	57
Arkansas	1,273	63	63	63	62	65	66	64	64	66	61	60	60
Florida	1,746	87	87	86	82	82	81	79	80	77	78	88	102
Georgia	1,801	89	86	84	82	83	81	79	80	78	77	72	72
Kentucky	1,496	74	74	72	73	71	71	70	73	75	75	66	70
Louisiana	1,562	77	75	75	74	81	89	82	87	85	85	84	84

Kansas

	Total	Percentage of U.S.	Rank
Population	2,478,000	1.0	32
Personal Income (billions)	\$41.9	1.0	31
Personal Income Per Capita	\$16,926	96.2	22

REVENUES	Total (millions)	Percentage Distribution	Per Capita		Percentage of Personal Income	
			Amount	Index (U.S. = 100)	Percent	Index (U.S. = 100)
State and Local						
General	\$7,688.5	100.0%	\$3,103	91	18.3%	94
Intergovernmental from Federal	1,025.1	13.3	414	75	2.4	78
Own-Source	6,663.4	86.7	2,689	94	15.9	98
Tax Revenue	4,578.4	59.5	1,848	92	10.9	95
Property Taxes	1,631.7	21.2	658	105	3.9	109
Sales Taxes	1,077.0	14.0	435	89	2.6	93
Income Taxes	1,067.2	13.9	431	83	2.5	86
Other Taxes	802.4	10.4	324	84	1.9	88
Charges and Miscellaneous	2,085.0	27.1	841	99	5.0	103
State						
General	4,386.1	100.0	1,770	85	10.5	88
Intergovernmental from Federal	958.3	21.8	387	81	2.3	85
Intergovernmental from Local	17.5	0.4	7	22	<	23
Own-Source	3,410.3	77.8	1,376	88	8.1	91
Tax Revenue	2,669.0	60.9	1,077	89	6.4	93
Property Taxes	32.1	0.7	13	55	0.1	57
Sales Taxes	872.6	19.9	352	88	2.1	91
Income Taxes	1,067.2	24.3	431	91	2.5	95
Other Taxes	697.0	15.9	281	91	1.7	94
Charges and Miscellaneous	741.3	16.9	299	82	1.8	85
Local						
General	4,484.8	100.0	1,810	88	10.7	91
Intergovernmental from Federal	66.8	1.5	27	36	0.2	38
Intergovernmental from State	1,164.9	26.0	470	68	2.8	71
Own-Source	3,253.1	72.5	1,313	102	7.8	106
Tax Revenue	1,909.4	42.6	771	95	4.6	99
Property Taxes	1,599.6	35.7	646	107	3.8	111
Sales Taxes	204.4	4.6	82	95	0.5	99
Income Taxes	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.
Other Taxes	105.4	2.4	43	57	0.3	60
Charges and Miscellaneous	1,343.6	30.0	542	112	3.2	116
EXPENDITURES						
State and Local						
General	\$7,492.9	100.0%	\$3,024	90	17.9%	94
Total Intergovernmental	-	-	-	-	-	-
Direct	7,492.9	100.0	3,024	90	17.9	94
Elementary/Secondary Education	1,915.4	25.6	773	95	4.6	99
Higher Education	941.8	12.6	380	129	2.2	134
Public Welfare	758.0	10.1	306	71	1.8	74
Health and Hospitals	642.1	8.6	259	86	1.5	90
Highways	819.5	10.9	331	135	2.0	140
Police	228.5	3.0	92	75	0.5	78
Other	2,187.5	29.2	883	78	5.2	81
State						
General	4,329.3	100.0	1,747	85	10.3	89
Total Intergovernmental	1,311.7	30.3	529	75	3.1	78
Direct	3,017.6	69.7	1,218	91	7.2	95
Elementary/Secondary Education	-	-	-	-	-	-
Higher Education	707.4	16.3	285	116	1.7	121
Public Welfare	732.0	16.9	295	88	1.7	92
Health and Hospitals	341.2	7.9	138	96	0.8	100
Highways	445.6	10.3	180	123	1.1	128
Police	29.4	0.7	12	66	0.1	68
Other	761.9	17.6	307	69	1.8	72
Local						
General	4,475.7	100.0	1,806	89	10.7	93
Total Intergovernmental	0.5	<	†	1	<	1
Direct	4,475.3	100.0	1,806	90	10.7	94
Elementary/Secondary Education	1,915.4	42.8	773	96	4.6	100
Higher Education	234.4	5.2	95	189	0.6	197
Public Welfare	26.1	0.6	11	11	0.1	11
Health and Hospitals	300.9	6.7	121	77	0.7	80
Highways	373.9	8.4	151	153	0.9	159
Police	199.0	4.4	80	77	0.5	80
Other	1,425.6	31.9	575	83	3.4	87

- represents zero

n.t. - no tax

< rounds to zero

† less than \$1 per capita

* rounds to 100%