

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on February 10, 2000, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Dave Webb, Johnson County Conservation Director
Carl Jordan, Kansas Association of Conservation Districts
Richard Jones, Kansas Association of Conservation Districts
Tracy Streeter, State Conservation Commission
Bill Fuller, Kansas Farm Bureau
Gary Satter, Glacial Hills Resource Conservation and
Development Council
George Peterson, Kansas Taxpayers Network

Others attending: See attached list.

The minutes of the February 8, 2000, meeting were approved.

SCR 1631–A proposition to amend article 11 of the constitution of the state of Kansas by adding a new section relating to the imposition of certain retailers’ sales tax and compensating use taxes for use and benefit of soil and water conservation; for the development, maintenance and operation of state parks and lakes; and for wildlife restoration habitat programs

Dave Webb, volunteer Johnson County Soil and Water Conservation Director, testified in support of **SCR 1631**. He observed that the public policy which the state has had for a number of years with regard to soil and water conservation and parks and wildlife land improvement is slowly lagging behind, and that spread is becoming wider and wider. He informed the Committee that **SCR 1631** is patterned after a proposition passed in Missouri which allows a percentage of sales tax to fund conservation programs and public park lands. He noted that Missouri’s program has been very successful statewide. When the proposition is placed on the Missouri ballot, it carries by a wide margin in the majority of urban and rural areas. He pointed out that the entire state will be involved with the many federal mandates regarding soil and water conservation, water run offs, and storm water drainage which will be coming down to the state level in the next five years. Mr. Webb went on to say that, as the population grows throughout the state, public lands and the availability of lands for people to enjoy recreation are diminishing. The funds to upkeep those properties are diminishing as well. He believes that the time has come to let the voters decide if, in fact, they want to have a public policy that supports wildlife conservation projects and soil and water conservation projects throughout the state. According to research conducted, enactment of the proposition would raise approximately \$90 million to \$92 million a year. The amount raised will be divided equally between the Department of Wildlife and Parks and programs for soil and water conservation. He explained that currently soil and water conservation districts receive approximately \$10 million a year from state funds; however, that amount will be not enough to fund federal mandates coming down the line. From a public policy standpoint, he believes it is best to allow the voters to decide whether to impose an additional sales tax upon themselves rather than requesting the Legislature to enact a sales tax increase.

Carl Jordan, President of the Kansas Association of Conservation Districts (KACD), testified in support of **SCR 1631**. Mr. Jordan noted that the expanded roles of the conservation district over the years require ever increasing amounts of funding. The issue of water quality along with the subject of total maximum daily loads (TMDL) will require extremely large funding; therefore, he contends that Kansas has no choice but to plan and implement. He noted that 80 of the state’s 92 major watersheds are in need of water quality

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

Room 519-S, Statehouse, at 11:10 a.m. on February 10, 2000.

restoration and/or protection. Because of declining federal budgets for USDA, the conservation districts must play an increasing role in providing technical assistance to landowners to design, install and implement practices at the local level. (Attachment 1)

At this point, Senator Langworthy interrupted the hearing on **SCR 1631** to allow the full Committee to consider action on a bill which was heard during the 1999 Legislative Session--**SB 116 which would provide the Kansas Academy of Sciences a sales tax exemption on purchases of tangible personal property and services**. Senator Langworthy explained that the Kansas Academy of Sciences is a non-profit organization and exempted from federal income tax. She also noted that Mr. Hayward, Revisor of Statutes Office, had advised her that the bill needs to be amended and redrafted.

Mr. Hayward explained that during the 1999 Legislative Session it was determined by the Committee that the bill should be more restrictive. For that purpose, he suggested that **SB 116** be amended on page 13, line 30 by inserting before the period, "and used solely by such academy for the preparation, publication and dissemination of educational materials." He explained that the bill must be completely redrafted because the section of statute affected, K.S.A. 1998 Supp. 79-3606, was amended in 1999.

Senator Bond moved to amend **SB 116** with the language suggested by Mr. Hayward and to allow the Revisor of Statutes to update the section, seconded by Senator Lee. The motion carried.

Senator Donovan moved to report **SB 116** as amended favorable for passage, seconded by Senator Corbin. The motion carried.

The Committee's attention was returned to the hearing on **SCR 1631**. Richard G. Jones, Executive Director of KACD, testified in support. He emphasized the increased need for funding water quality projects. He informed the Committee that the State of Kansas was a co-defendant in a lawsuit filed 1995 regarding noncompliance with the 1972 federal Clean Water Act which called for each state to set parameters for water quality. The settlement requires Kansas to set TMDL levels for all the water bodies in the state. The Kansas Department of Health and Environment is in the process of doing that currently, but a significant increase in conservation funding will be required in order to meet the TMDL goals.

Mr. Jones also pointed out that the latest USDA Natural Resources Inventory indicates that 53 percent of Kansas crop and pasture lands need conservation treatment; however, conservation districts cannot meet these needs with the current limited funding. In addition, Mr. Jones said he believes that Kansans deserve high quality recreational opportunities. The proposed sales tax would provide funding to improve facilities at state lakes and parks and improve wildlife areas. (Attachment 2)

Tracy Streeter, Executive Director of the State Conservation Commission, testified in support of **SCR 1631**, noting that the proposal uses the successes achieved by the State of Missouri as a prototype. He said Kansas' diversity from east to west presents varied concerns ranging from groundwater declines and erosion to surface water quality and flooding. Many of the water quality and quantity issues have an economic impact on the agriculture industry, and the federal Clean Water Act will have a profound effect on the need to reduce the runoff of non-point source pollution. Landowners cannot bear the cost alone, and the ability of conservation districts to raise funds is not commensurate with the needs under their jurisdiction. Although any taxation proposal is likely to face a stern challenge in the current budget climate, Mr. Streeter urged the Committee to support the resolution because the future needs for natural resource protection and restoration are evident. (Attachment 3)

Bill Fuller, Kansas Farm Bureau, testified in support of **SCR 1631**. He explained that a number of statements in the Bureau's member-adopted policy call for all Kansans to support the protection of the state's natural resources. He reasoned that programs that protect water quality and encourage water conservation benefit all Kansans; therefore, the programs should be funded by all Kansans. Mr. Fuller emphasized that, while the Bureau supports allowing the voters to decide on whether a statewide sales tax increase should be imposed, it reserves support for the distribution plan for the revenues until being convinced that a number of high priorities will be adequately funded. (Attachment 4)

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE
Room 519-S, Statehouse, at 11:10 a.m. on February 10, 2000.

Senator Langworthy called attention to written testimony in support of **SCR 1631** submitted by Steve Williams, Secretary, Kansas Department of Wildlife and Parks. She noted that, for personal reasons, Mr. Williams could not attend the meeting and testify. Mr. Williams states in his testimony that fiscal realities do not mean that discussion of proposals that may be a part of a long-term approach to environmental protection should cease. He believes Kansas' resolve to address environmental issues will help determine the state's future economic growth and development. He notes that the proposal is a mechanism to generate the financial means to study, analyze, and develop measures to improve natural resource conservation in Kansas. (Attachment 5)

Gary Satter, Glacial Hills Resource Conservation and Development, gave final testimony in support of **SCR 1631**. At the outset, he explained that his non-profit organization coordinates and implements rural development projects in northeast Kansas. He discussed the recreational facilities and activities available in the State of Missouri, noting that the development of Missouri's parks and the preservation of their natural and historic resources brings economic development to local communities in the state. Missouri's success is due to funding provided by a .10 percent sales tax which also provides funding for soil and water conservation programs. He believes that Kansas could have the same kind of quality facilities and recreational facilities available to its citizens if it had the funding that passage of **SCR 1631** would provide. (Attachment 6)

George Peterson, Kansas Taxpayers Network, testified in opposition to **SCR 1631**. The Kansas Taxpayers Network opposes all efforts to raise Kansas' taxes. However, it is supportive of the requirement that the tax increase be approved by voters at a regular election. He cautioned the Committee that any proposal to raise the sales tax must be considered in light of the impact of internet retailing. Raising the state tax would provide an additional incentive for customers to order out-of-state through on-line options. He emphasized that a high state tax hurts the state's ability to keep business in the state and limits the ability to attract new firms. (Attachment 7)

Senator Langworthy asked Mr. Peterson if he would be an advocate of taxation of Internet sales as a means to help the state financially. Mr. Peterson indicated that the Kansas Taxpayers Network would not support any additional tax, including a tax on Internet sales.

The hearing on **SCR 1631** was concluded, and the meeting was adjourned at 12:00 p.m.

The next meeting is scheduled for February 14, 2000.