

Approved May 3, 2002
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION

The meeting was called to order by Chairman Edmonds at 9:00 a.m. on March 19, 2002 in Room 519-S of the Capitol.

All members were present.

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Don Hayward, Revisor
Winnie Crapson, Secretary

Conferrees appearing before the Committee:

Representative Freeborn
Gerald Goodell, Chair, Estate Tax Advisory Committee, Judicial Council
Terry Leatherman, Kansas Chamber of Commerce and Industry
Hal Hudson, National Federation of Independent Business
Kenneth Daniel, Midway Sales & Distributing, Topeka
Kim Wilcox, Kansas Board of Regents
Dr. Ed Berger, President, Hutchinson Community College
Dr. George Knox, President, Cloud County Community College
Dr. Veldon Law, President, Barton County Community College
David Monical, Vice President, Washburn University

Written Testimony: Mahlon Tuttle, Kansas Legislative Policy Group

Others Attending: See attached list

Hearing was opened on

HB 2652 - Estate tax conformity to federal law.

Gerald Goodell, Chair of the Estate Tax Advisory Committee, presented testimony on behalf of the Judicial Council (Attachment #1) describing the problem this year due to the change in federal law if the existing Kansas estate tax law is not changed. The testimony described in detail the present circumstances and included Judicial Council Comments on **HB 2652**. He explained that the change proposed by **HB 2652** will give the Legislature two years to consider more permanent alternatives. In response to a question Mr. Goodell said the Advisory Committee had been unable to find a revenue neutral solution to the problem.

Revisor Hayward explained that if this bill passes as it is, the federal law will have no effect on the Kansas law and that if there is no bill this year, Kansas will still be tied to 1998 law and the \$700,000 exemption will go to \$1 million in 2006.

Terry Leatherman presented testimony of Marlee Carpenter on behalf of the Kansas Chamber of Commerce & Industry supporting **HB 2652** (Attachment #2), stating KCCI has a long standing policy supporting repeal of inheritance tax and now the permanent repeal of the state and federal estate tax.

Hal Hudson presented testimony on behalf of the National Federation of Independent Business support of **HB 2652** (Attachment #3) asking on behalf of the 7,000 small business owners who are members of NFIB in Kansas that the bill be reported favorable for passage.

Kenneth Daniel, Midway Sales & Distributing, Topeka, presented testimony in support of **HB 2652** (Attachment #4), on behalf of his family, his employees and the small businesses and farms in Kansas for which he believes this is a serious issue.

Hearing was closed on HB 2652.

CONTINUATION SHEET

Mr. Cram was asked to provide the Committee with information on what the effects would be at Kansas Department of Revenue if **HB 2652** does not pass.

Chairman Edmonds asked staff if possible to provide the Committee with a study covering (1) forecast of revenue year by year for the life of the federal bill with the presumption Kansas law is not changed; compared to (2) presumption that **HB 2652** passes. He said the Committee would also be interested in modeling under current law and this bill of estates of \$500,000, of \$1 million, and of \$2.5 million.

Hearing was opened on

HB 3003 - Out-district tuition for community colleges and Washburn University
continued through 2003-04 academic year.

Representative Freeborn presented testimony (Attachment #5). She said she had asked for the bill to be introduced in the Appropriations Committee to correct a matter of inequity in funding for Community Colleges and Washburn University due to the proposal to freezing the funding of **SB 345**. Keeping the out-district tuition level for the next fiscal year will stabilize the financial responsibility of the counties.

In response to questions, Representative Freeborn said budget proposals eliminate the funding for the third year of the four-year phase out so Community Colleges would not get the replacement revenue nor would they get the out-district tuition. She said if **HB 3003** does not pass they would lose about \$2.7 million. If the bill passes, that \$2.7 million would be split among the other counties.

Kim Wilcox, President and CEO of the Kansas Board of Regents presented testimony in support of **HB 3003** on behalf of the Regents (Attachment #6) and said he also represented Washburn University. He said **SB 345** was designed as a four-year program assuming state replacement for revenue lost with mandated phase out of out-district tuition payments and that the Board of Regents have worked hard to implement **SB 345** in its fullest sense and if one part is stopped, the other part should stop as well.

In response to questions Mr. Wilcox said the out-district tuition replacement agreement is a significant buy-down of property tax in local taxing districts. The four-year plan included a significant increase in faculty salary and payroll for state universities with performance funding up to 2% of operating expenses in years three and four but the fiscal note did not include the 2% funding, approximately \$27 million over two years. He said he had the exact numbers and was asked to provide them for the committee.

Ed Berger, President of Hutchinson Community College, presented testimony in support of **HB 3003** (Attachment #7). He said one of the goals was to move state support for community colleges to 65%, moving the responsibility from the counties to the state over a four-year period of time. The reduction on the county side is statutory regardless of what happens on the state side. In Kansas, 87 counties pay out-district tuition for students from their counties taking classes at community colleges. This was to be phased out over four years. Two-year phase out has occurred. Another concern it addressed was local property tax relief in the 18 counties with community colleges. Mr. Berger said Community Colleges are experiencing significant enrollment increases of traditional and non-traditional students who see them as an affordable avenue to get the first two years of a transfer program or to obtain marketable job. In response to questions Mr. Berger said the options were to raise tuition and to raise the local levy and that the effect of passing **HB 3003** would be to suspend other components including local property tax relief.

Dr. George Knox, President of Cloud County Community College, presented testimony in support of **HB 3003** (Attachment #8). He described the impact its defeat would have on Cloud County Community College and provided a brief history of the provisions in **SB 345**. He understands the responsibility to help in difficult times and is asking the out-district tuition reduction be suspended until the plan is fully funded. He said at Cloud County Community College they meet on a weekly basis for their budget and they stand to lose \$270,000, 4 percent of their budget. In response to questions Dr. Knox said that he was new to Kansas but it was his understanding that none of the initiatives for higher education have ever been fully funded.

CONTINUATION SHEET

Dr. Vernon Law, President of Barton County Community College, testified in support of **HB 3003**. Dr. Law said Barton County Community College is facing cutting \$1.1 million from their \$16 million operating budget and are talking about cutting services and personnel at a time when they are now ^{Unless} dealing with about a 5-6 percent increase of student enrollments.

J. B. Webster, a Trustee of Barton County Community College, testified in support of **HB 3003**.

The testimony of Jerry B. Farley, President of Washburn University, in support of **HB 3003**, was presented by David Monical (Attachment #9). He said it was important that this bill pass so that the nineteen Community Colleges and Washburn University are not required to absorb the cost of this phase-down of the Higher Education Coordination Act without the promised corresponding compensating

Written testimony in support of **HB 3003** on behalf of the Kansas Legislative Policy Group was presented by Mahlon Tuttle, President (Attachment #10).

Sheila Frahm, Executive Director of the Kansas Association of Community College Trustees, provided to the Committee the Kansas Board of Regents Unified Budget Request FY-2003 (Attachment #11); Community College Revenue (Attachment #12); Community College Property Tax (Attachment #13); Community College Enrollment (Attachment #14); and Overview of the Kansas Higher Education Coordination Act, a memo dated October 23, 2001 from Carolyn Rampsey, Principal Analyst, Legislative Research Council (Attachment #15).

Hearing on HB 3003 was closed.

Consideration of HB 3011 - Retailers' sales tax - Anderson County.

Representative Vickery moved, Representative Findley seconded, to amend HB 3011 by making technical corrections omitting suggested language on page 7 which is not needed if "Anderson" is added in the list of counties on line 1. Motion was adopted.

Representative Mays moved, Representative Gatewood seconded, to recommend HB 3011 favorable for passage as amended. Motion was adopted.

Consideration of HB 2828 - Douglas County sales tax for industrial and recreational park purposes.

Representative Findley moved, Representative Larkin seconded, to amend HB 2828 as submitted to the Committee by the conferees. Motion was adopted.

Representative Findley moved, Representative Larkin seconded, to recommend HB 2828 favorable for passage as amended. Motion was adopted.

Consideration of HB 2785 - Redemption of real estate bid off by county.

Representative Larkin moved, Representative Mays seconded, to recommend HB 2785 favorable for passage. Motion was adopted.

Committee adjourned at 10:22 a.m. Next meeting is March 20.