

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman David Corbin at 10:40 a.m. on February 5, 2004, in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Legislative Research Department  
Martha Dorsey, Legislative Research Department  
Gordon Self, Revisor of Statutes Office  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Mark Tallman, Kansas Association of School Boards  
Mark Desetti, Kansas KNEA  
Jim Menze, United School Administrators of Kansas  
April Holman, Kanss Action for Children  
Larry McElwain, Lawrence Chamber of Commerce  
Lew Ebert, Kansas Chamber of Commerce  
Bernie Koch, Wichita Area Chamber of Commerce  
Karl Peterjohn, Kansas Taxpayers Network

Others attending:

See Attached List.

**SB 403—Schools; school finance; education first plan**

Mark Tallman, Kansas Association of School Boards, testified in support of **SB 403**. He commented that, although the Education First plan does not solve all the problems facing Kansas schools, it is a step in the right direction. He maintained that Kansas citizens must pay more taxes to make necessary improvements in the education of Kansas children. He followed with a short history of the 1992 School Finance Act, noting that it contained the largest tax increase in state history and that Kansas' continued strong national ranking in education was based on that investment. He pointed out that the reliance on the local option budget has continued to increase since 2001, and most school districts will face far more limited budgets unless more significant increases in the base state aid per pupil are provided in the future. He observed that the future workforce will be ill prepared for the future if the needs of students who have historically been "left behind" are not addressed. In this regard, he referred to a table attached to his written testimony which shows that many other states have raised their performance on individual tests more than Kansas. He contended that the major reason is that support for education in Kansas has lagged behind the national average. As to concerns that tax increases for education will take money out of the Kansas economy, Mr. Tallman noted that, when taxes are raised to increase funding for schools, virtually all of those dollars are spent on salaries, goods, and services in Kansas. As to the concern that a tax increase will cost jobs, he noted that school districts across Kansas have cut high-paying professional positions as well as support positions, and some communities have lost their schools as shown on a table attached to his testimony. As to concerns that Kansas does not use its education dollars effectively, he called attention to a memo on the latest national information on school expenditures. The memo shows that Kansas has increased spending on instruction and that Kansas non-instructional expenditures are in line with surrounding states. He emphasized that the memo also indicates that the highest achievement states are not necessarily those that spend more on instruction compared to other budget areas. In summary, Mr. Tallman said education is the key to economic development, to reducing the cost of other social needs, and to effective citizenship. He urged the Committee to support funding necessary to make it possible for Kansas schools to rank among the best. (Attachment 1)

Mark Desetti, KNEA, testified in support of **SB 403**, noting that KNEA supports Mr. Tallman's testimony. He commented that the Education First plan targets money to address the achievement gap between poor students and those who are better off financially. He noted that, among the states which use a weighting factor for at-risk funding, Kansas' weighting is the lowest. For those students who are already falling behind, quality at-risk intervention programs are essential, and additional funds are also critical in meeting the

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demands of the federal No Child Left Behind Act. Mr. Desetti further noted that the bill increases the bilingual weighting factor, which is a growing challenge for many school districts. He pointed out that a quality education for all Kansas students will improve the state's workforce which, in turn, will attract new business and industry. (Attachment 2) Senator Corbin commented that the return on investment in jobs is a topic often discussed. He requested that Mr. Desetti provide data showing the percent of teachers in the state's workforce and the average salary for teachers.

Jim Menze, United School Administrators of Kansas, testified in support of **SB 403**. He believes that the mix of sources in the bill for raising revenue for education is appropriate. He supports the increase in taxes because it will allow school districts to meet their obligations to students and to maintain an efficient educational system. He commented that, although these are challenging times for the state, quality education is an investment the state cannot overlook. (Attachment 3)

April Holman, Kansas Action for Children, testified in support of **SB 403**. Kansas Action for Children is appreciative of the Governor's efforts to support programs aimed at early childhood education, and it acknowledges the merits of maintaining a balanced tax system in Kansas comprised of property, income, and sales tax. However, Kansas Action for Children is concerned about the reliance on the sales tax, which is one of the most regressive Kansas tax sources. For this reason, Ms. Holman requested that **SB 403** be amended to mitigate the impact on lower income Kansas families either by increasing the Kansas food sales tax rebate or by increasing the percentage of federal earned income tax credit (EITC) allowed in Kansas. (Attachment 4)

Larry McElwain, Chairman of the Lawrence Chamber of Commerce, testified in support of **SB 403**. He noted that the Chamber strongly supports education. However, the Lawrence school board has been forced to cut \$7 million from its budget in the past three years, and it will be necessary to consider another \$2.1 million cut in the near future if a solution is not developed this legislative session. Mr. McElwain believes that the Governor's plan offers a foundation for a rational, tactical approach to solve a huge state problem. He went on to explain that, currently, the private sector provides almost 70% of the funds needed to create jobs in the Lawrence area. He noted that the weakening of the educational system in the area will have incalculable effects on future endeavors to attract jobs. The city is also concerned that compliance with unfunded mandates such as No Child Left Behind will create a drain on already stretched resources and budgets. (Attachment 5)

Senator Corbin called the Committee's attention to written testimony in support of **SB 403** submitted by Tom Hawk, a retired school administrator from Manhattan, who was unable to attend the meeting due to the weather. (Attachment 6)

Senator Corbin called the Committee's attention to the minutes of the February 3 Committee meeting and the minutes of the February 3 joint meeting of the Senate Education Committee and the Senate Assessment and Taxation Committee for an overview of the Governor's Education First plan.

Senator Donovan moved to approve the minutes of the February 3, 2004, meeting and the minutes of the joint meeting with the Senate Education Committee, seconded by Senator Buhler. The motion carried.

Lew Ebert, Kansas Chamber of Commerce, testified in opposition to **SB 403**. He noted that the Chamber has strongly supported Kansas education through the years and has backed tax increases to fund educational enhancements; however, the Chamber believes that there are unfortunate financial implications for the Kansas economy if the bill is funded in the manner suggested. Mr. Ebert argued that, because Kansas' economy has not yet recovered sufficiently, this is not the right time to further burden Kansas citizens or Kansas businesses with higher taxes. He contended that, instead of raising taxes, Kansas should be taking the initiative to become a competitive leader among states in the fight for jobs. For the Committee's information, he called attention to the Kansas Chamber Annual Competitive Index Executive Summary attached to his written testimony, noting that the Chamber hired an economist to prepare the summary. He discussed a table included in the summary summarizing the results from 13 business climate studies, noting that the average Kansas rank is 26-27th best out of the 50 states, or a C to C+ grade. (Attachment 7)

Committee members questioned Mr. Ebert concerning the Chamber's Kansas Express Tour meetings he

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discussed which were held for the purpose of determining the Chamber's position on a tax increase to support education. Senator Goodwin requested that he provide a list of cities where the meetings were held. Mr. Ebert informed her that the list was published in the Wichita Business Journal, and a copy was distributed to every legislator. He agreed to provide a copy for each Committee member.

Bernie Koch, Wichita Area Chamber of Commerce, testified in opposition to **SB 403**. At the outset, he noted that the Wichita Chamber has supported tax increases that support growth and has been a strong proponent of educational improvement, recognizing the strong link between skilled workers and economic growth. However, the tax increases in the Governor's Education First plan are problematic for the Chamber's business members who are one of the segments hardest hit in the country by the 9/11 attacks. The Wichita area has not yet recovered. One out of every five manufacturing workers in the Wichita metropolitan area has lost their job. The tax increases as proposed in **SB 403** will create an added hardship for residents and businesses in the Wichita area as its economy responds slower to recovery than other regions in the state. Mr. Koch contended that the proposed five percent surcharge on individual income taxes hits small businesses disproportionately. In this regard, he called attention to an attachment to his written testimony which summarizes the Chamber's findings concerning the proposed tax plan. In conclusion, he indicated, although the Chamber does not support the tax increases in **SB 403**, it would welcome an opportunity to participate in the ongoing public discussion about how public education dollars are distributed. (Attachment 8)

Karl Peterjohn, Kansas Taxpayers Network, testified in opposition to **SB 403**. With regard to the proposed income tax surcharge, he noted that Kansas' maximum rate would move from nineteenth to sixteenth highest in the 50 states. He pointed out that a number of states provide deductions and tax options that do not exist in Kansas. He argued that an increase in sales tax would worsen the tax climate along the Missouri border. He pointed out that, if the proposed property tax hike is fully phased in, the rate will be 10 % higher than current law. He noted that federal data on school spending and national surveys for the five state region show that there is no factual justification for making the proposed significant increase in state spending on the Kansas public school system. He called attention to data which indicates that Kansas has been spending more per person than neighboring states for a number of years and more than the national average. He emphasized that Kansans cannot afford more taxes and cannot take the risk of job losses due to taxes. (Attachment 9)

There being no further time, the hearing on **SB 403** was continued to February 6.

The meeting was adjourned at 12:00 p.m.

The next meeting is scheduled for February 6, 2004.