

The logo for the Kansas Public Finance Center (kpfc) is located on the left side of the slide. It consists of the lowercase letters "kpfc" in a bold, orange, sans-serif font, set against a dark blue rectangular background. To the right of this logo is a decorative graphic of several overlapping squares in various shades of light blue and purple, arranged in a stepped, staircase-like pattern.

kpfc

Sizing Up Kansas Public Finance

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Size up....

- State government revenues, expenditures and debt (last year's presentation...published in *Kansas Policy Review*, Spring 2006)
- Erosion of the property tax base
- Erosion of the sales tax base
- Local government debt
- State's financial condition as revealed by the audited financial statements

Kansas Public Finance Center

Hugo Wall School of Urban and Public Affairs

Wichita State University

- Projects on sales and property tax erosion and local debt were funded by the Kansas Department of Revenue on behalf of the Kansas Advisory Council on Intergovernmental Relations (KACIR)
 - Principal Investigators
 - Dr. Glenn Fisher – property tax erosion
 - Dr. Ed Flentje – history of Kansas tax exemptions
 - Dr. John Wong – sales tax erosion
 - Dr. Bart Hildreth – estimated property tax base; local debt
 - Graduate Assistants from the MPA program
 - Web: hws.wichita.edu/KPF/reports-publications
- New project on comparative state financial ratios

Basic Issues in the Erosion of Tax Base

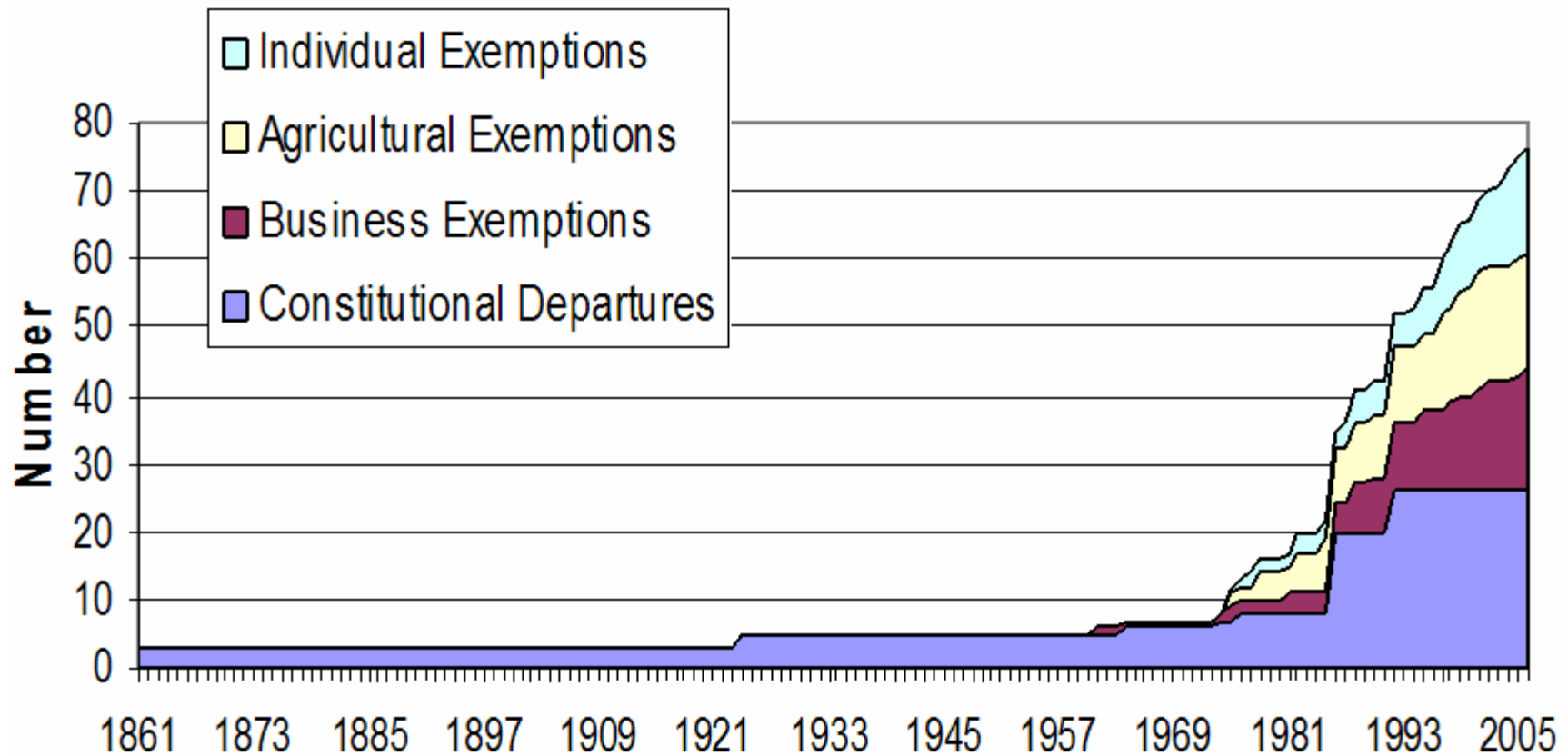
- A broad tax base allows a low rate to achieve the stated revenue goals
- All exemptions and exclusions to a tax base should be subject to systematic, continuing review
- Therefore, it is important for tax policy to know the estimated total value of the tax base and the impact of deviations from this tax base

KANSAS PROPERTY TAX

“The Legislature shall provide for a *uniform and equal* rate of assessment and taxation; but all property used exclusively for State, county, municipal, literary, educational, scientific, religious, benevolent, and charitable purposes, and personal property to the amount of at least two hundred dollars for each family, shall be exempted from taxation”

-Wyandotte Constitution (1859)

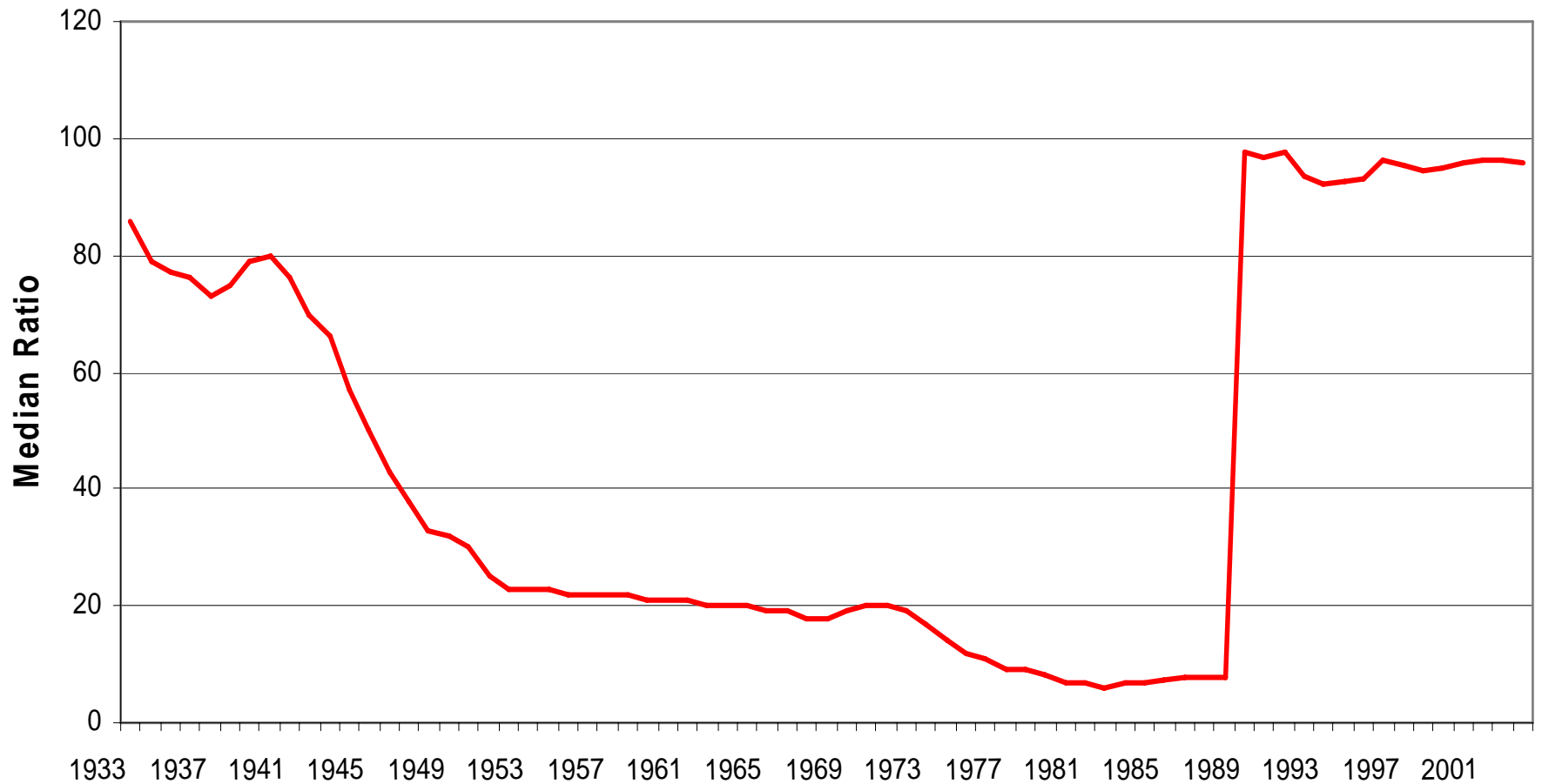
Cumulative Number of Constitutional and Statutory Departures from Uniform and Equal Taxation of Property



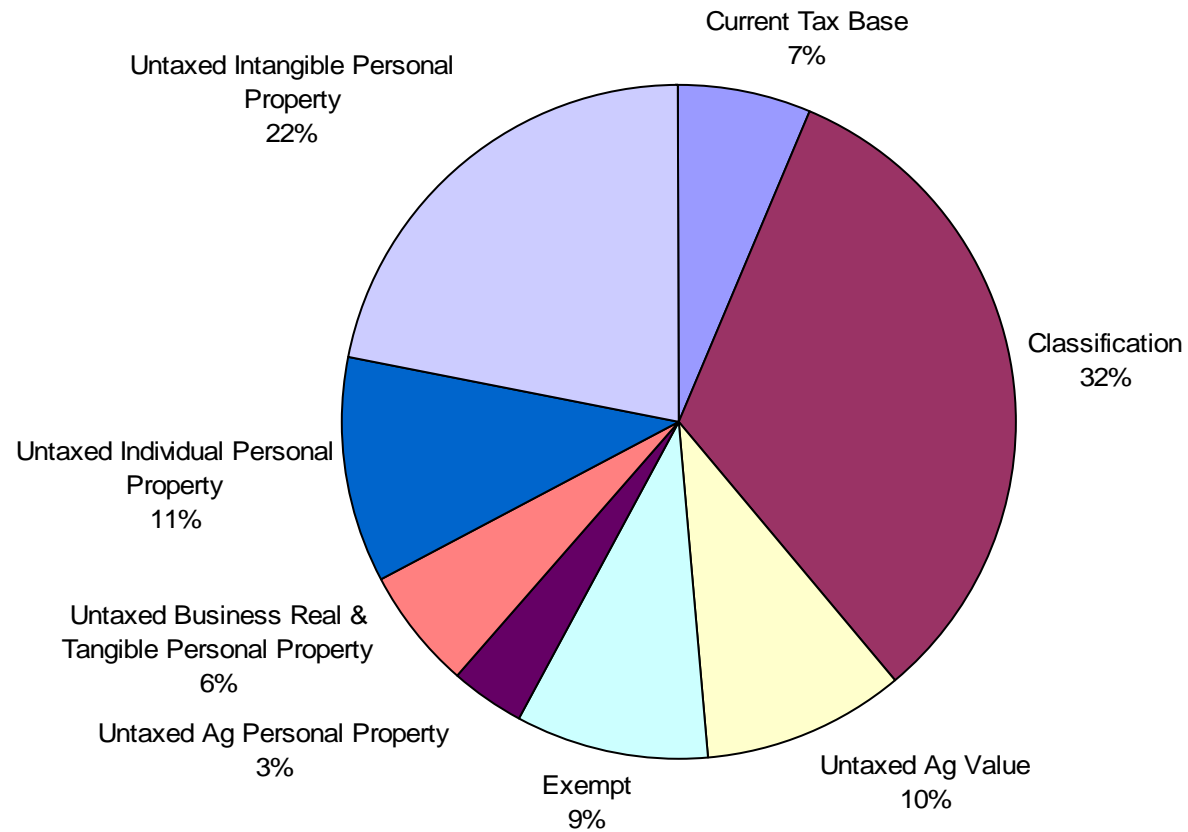
Becoming a Residential Real Estate Tax

	1988	2005
Total Real Estate as % of Total Assessed Value	44%	65%
Residential Real Estate as % of Total Assessed Value	22%	40%

Median Appraisal/Sales Ratio for Real Estate, 1933-2004



Total Estimated Market Value of Real and Personal Property in Kansas



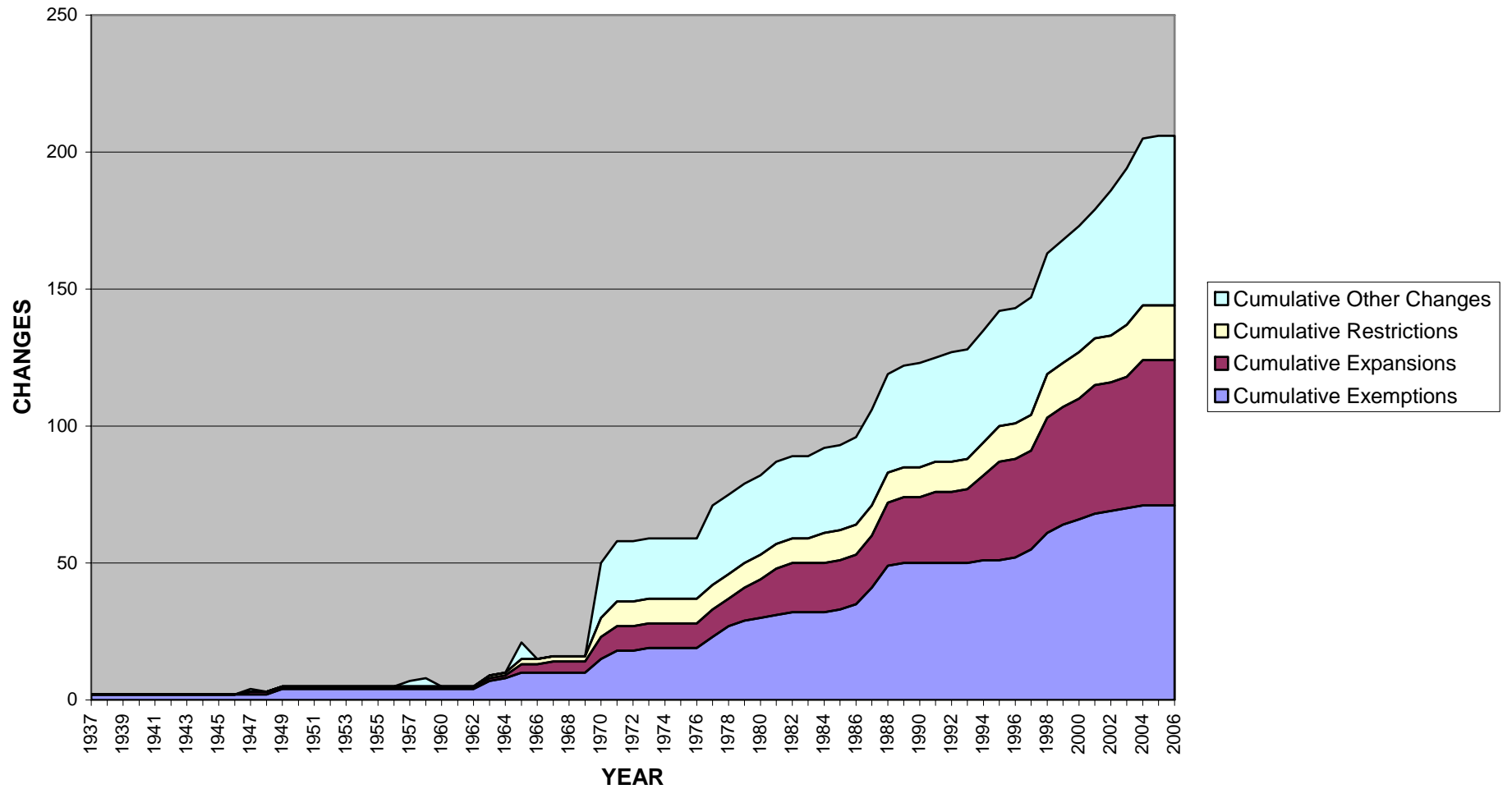
Property Tax Policy Choices

- Continue on current path (...to taxpayer revolt?)
- Clean-up property tax laws and develop rational policy for exemptions
- Return to “uniform and equal”
- Reconfigure local governments and their revenue sources

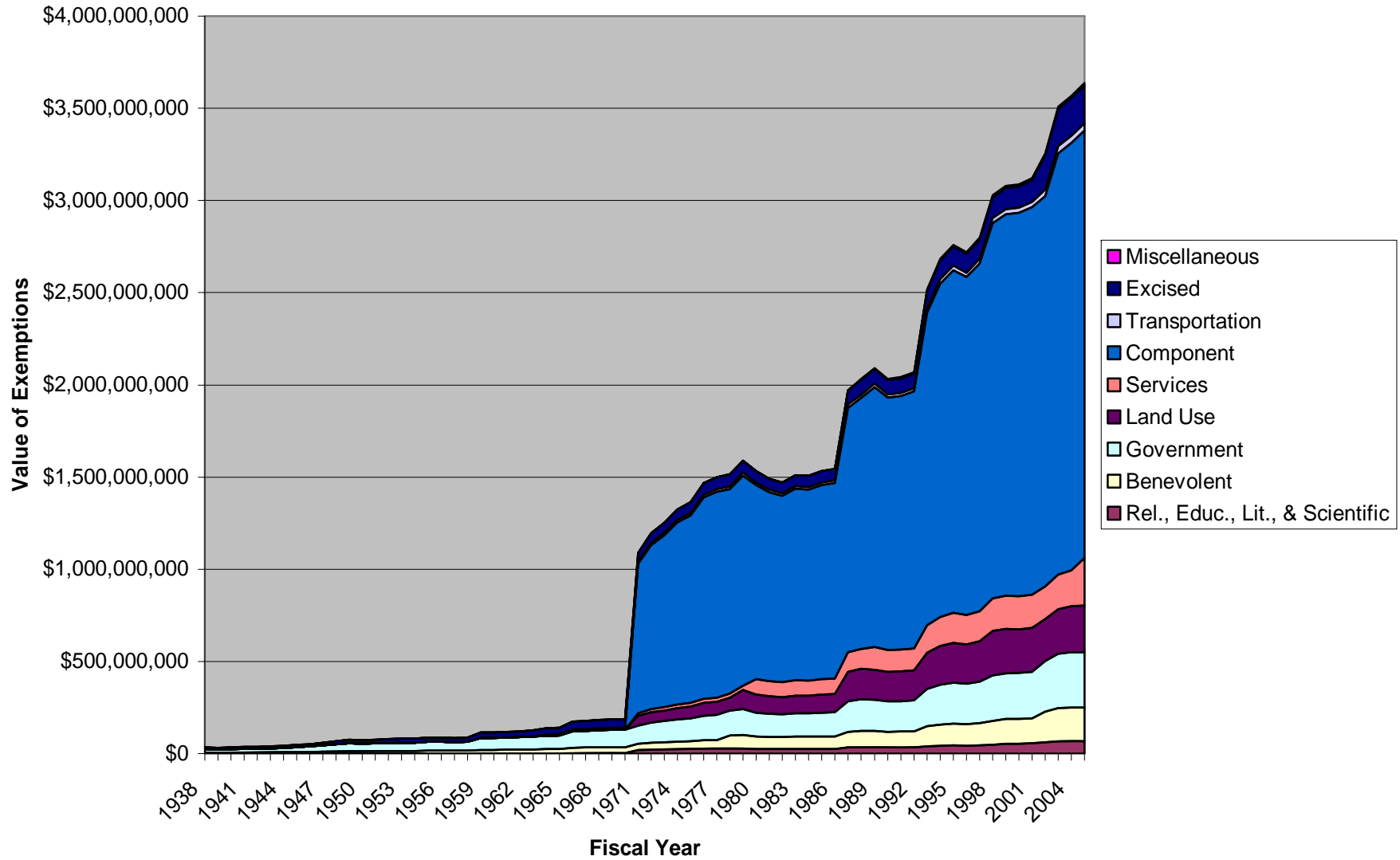
KANSAS SALES AND USE TAX

- The Retailers' Sales Tax Act, passed by the 1937 session of the Legislature, imposed a tax at the rate of two percent on the gross receipts from retail sales of tangible personal property or from the furnishing of taxable services, on and after June 1, 1937.

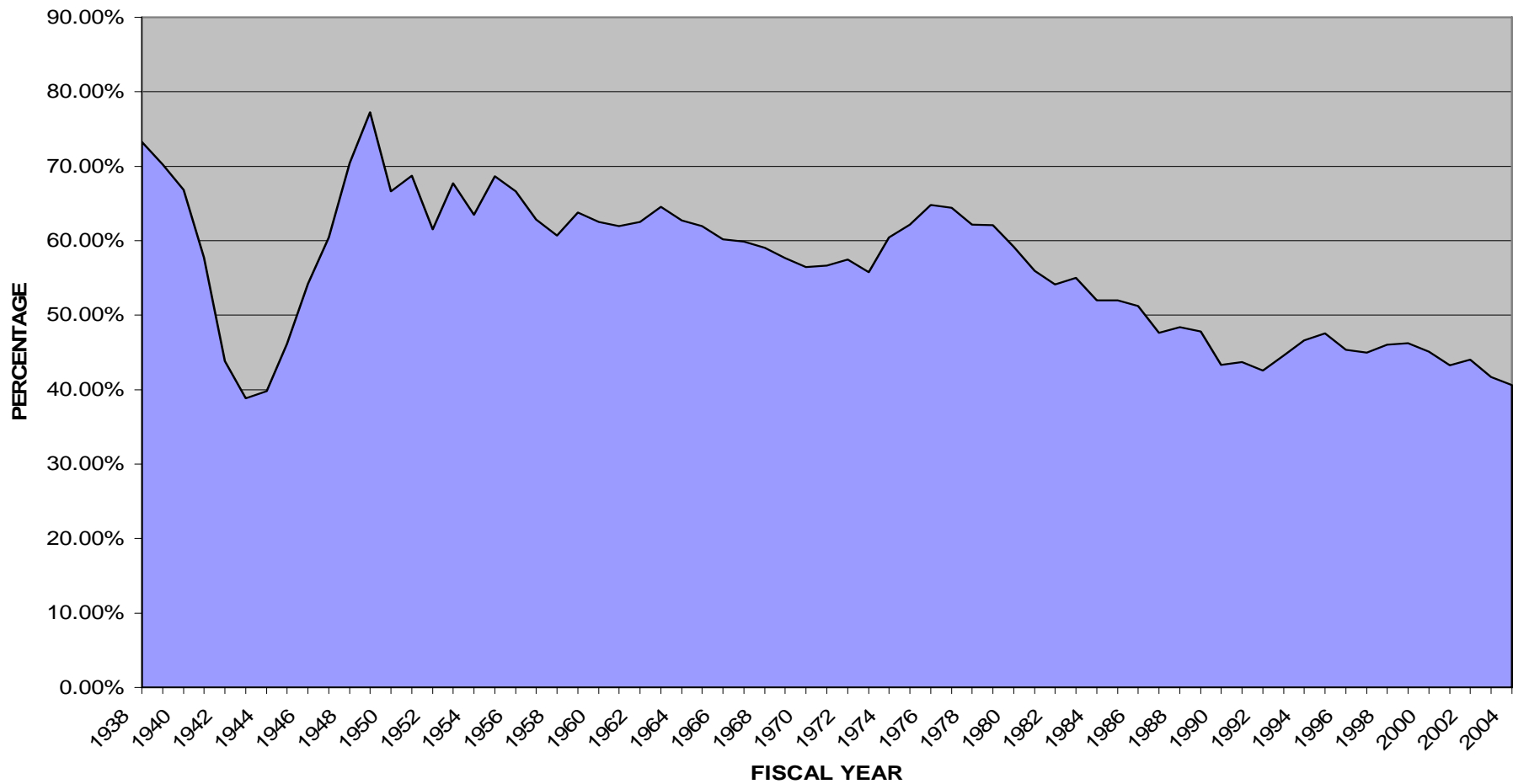
CUMULATIVE NUMBER OF STATUTORY SALES AND USE TAX CHANGES



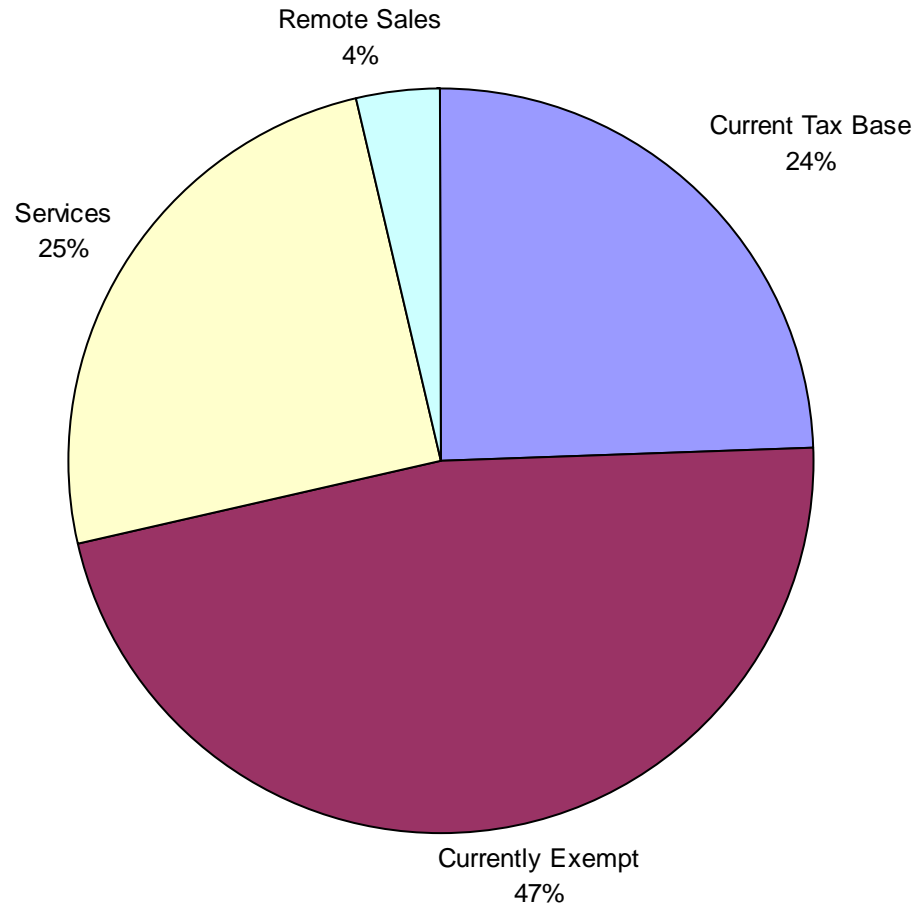
REAL VALUE OF SALES AND USE TAX EXEMPTIONS BY TYPE



SALES AND USE TAX BASE AS A PERCENTAGE OF PERSONAL INCOME



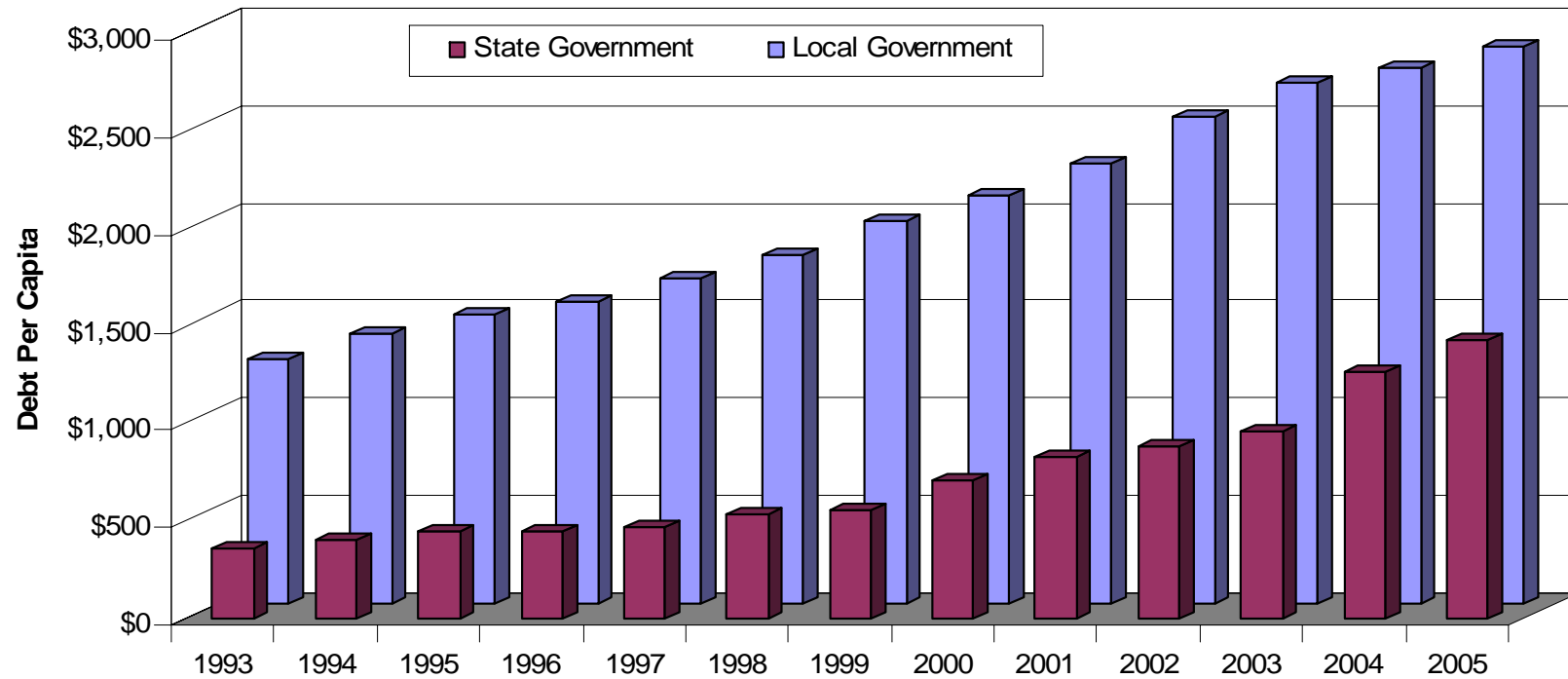
Total Estimated Sales and Use Tax Base in Kansas



Sales Tax Policy Considerations (Fox, 1988)

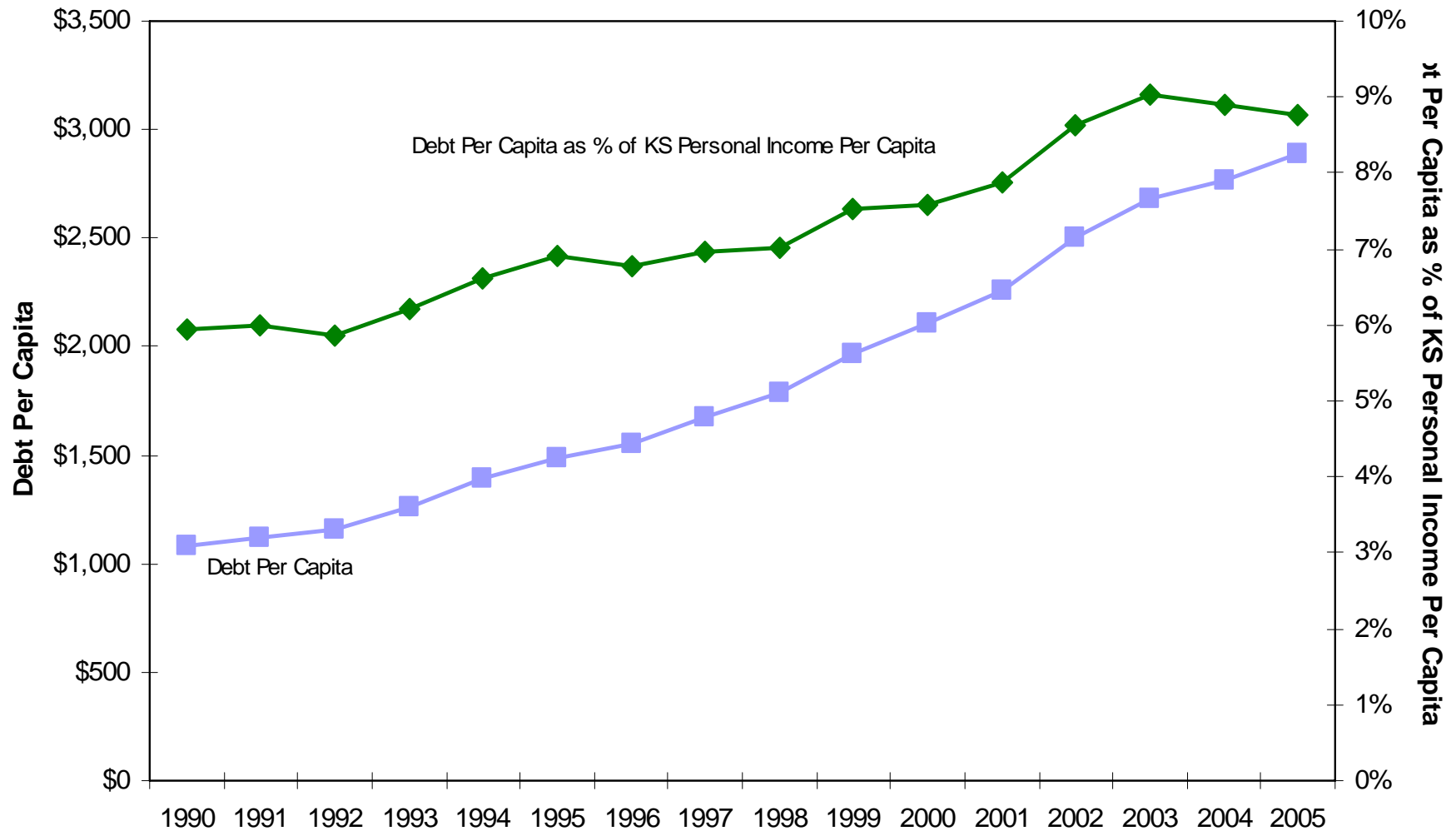
- Avoid proliferation of sales taxes on business inputs,
- Keep household purchases of tangible personal property inside the tax base,
- Bring household purchases of services into the tax base, and
- Get Congress to help states enforce use taxes.

Per Capita State and Local Government Debt in Kansas, 1993-2005



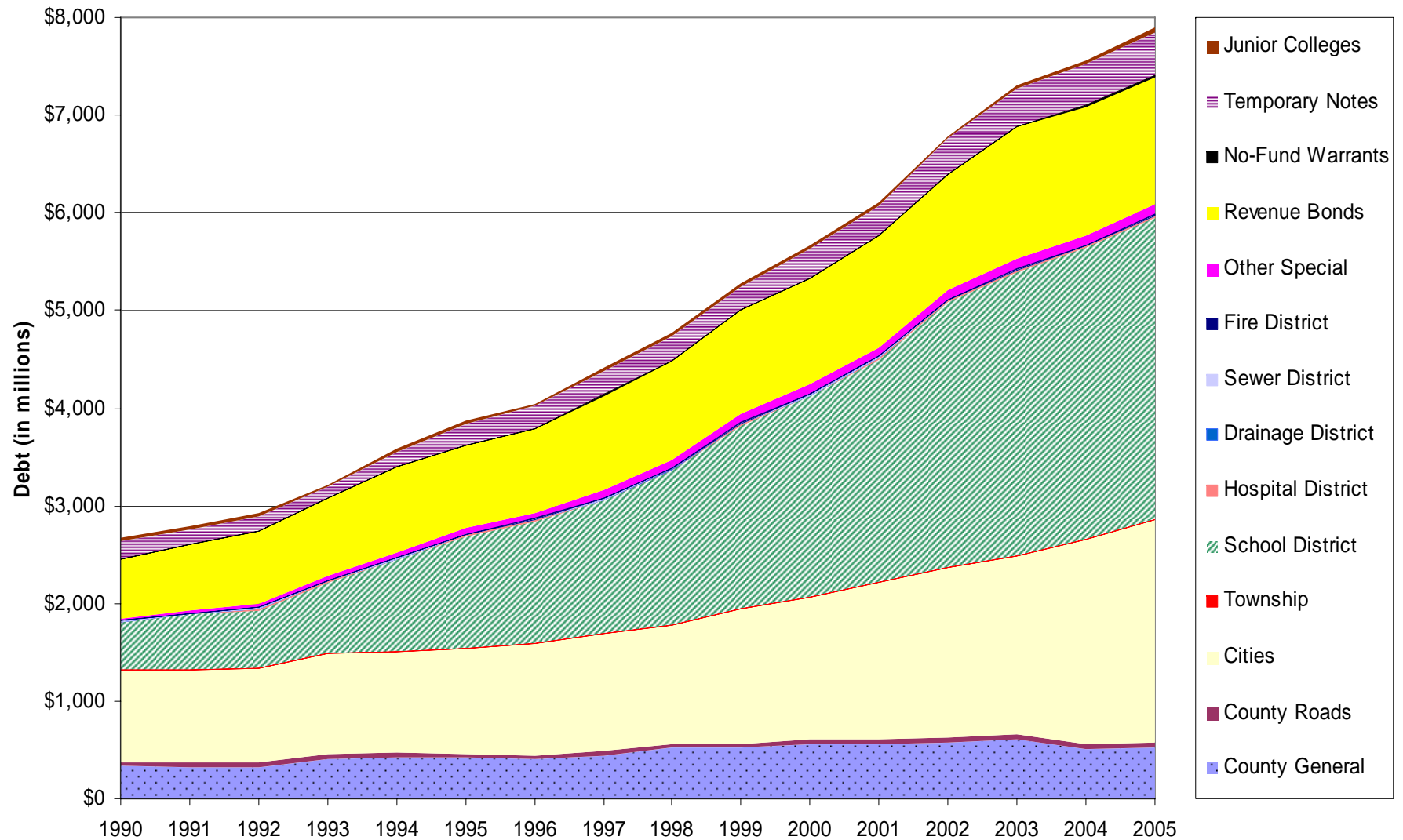
Sources: Kansas State Treasurer Bonded Indebtedness Spreadsheets as of June 30, 2005 and the State of Kansas 2005 Debt Affordability Study.

Kansas Local Government Debt Affordability, 1990-2005



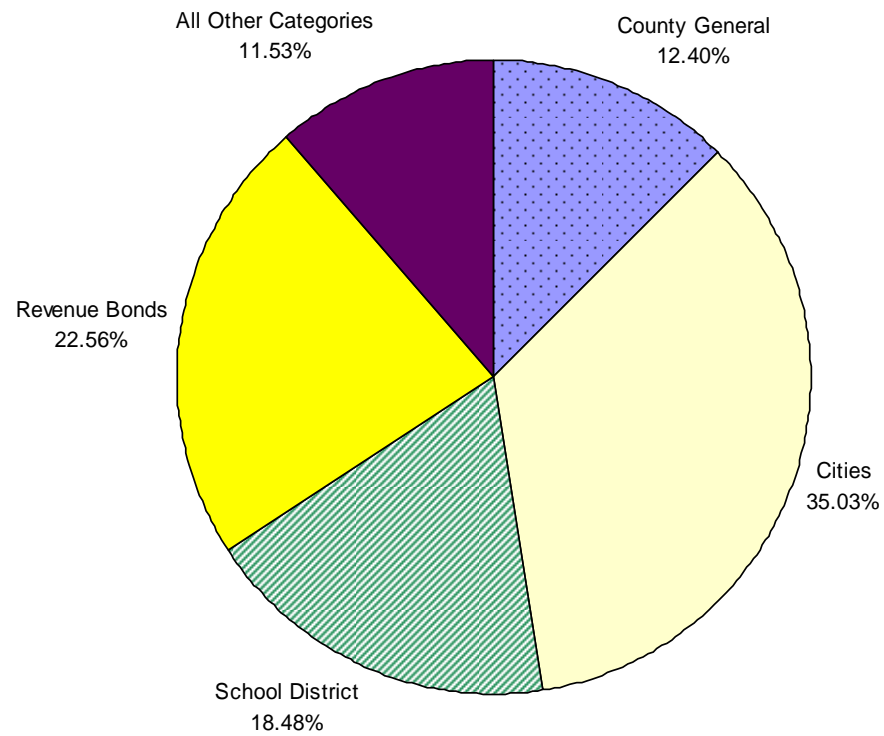
Sources: Kansas State Treasurer Bonded Indebtedness Spreadsheets as of June 30, 2005, Bureau of Economic Analysis (personal income), and the Kansas Statistical Abstracts (population).

All Kansas Local Government Debt, 1990-2005

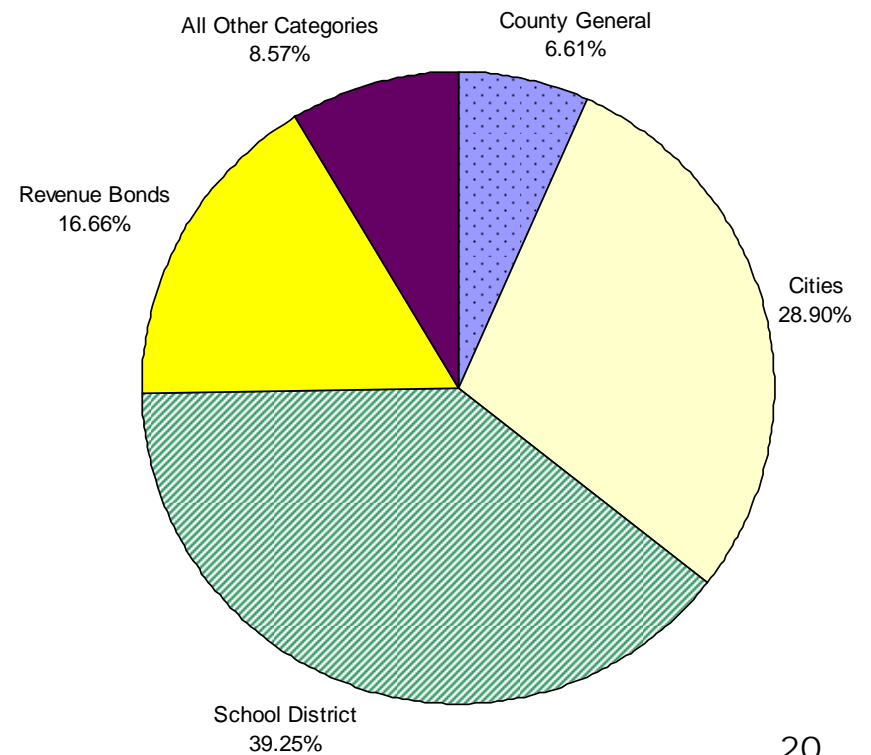


Source: Kansas State Treasurer Bonded Indebtedness Spreadsheets as of June 30, 2005

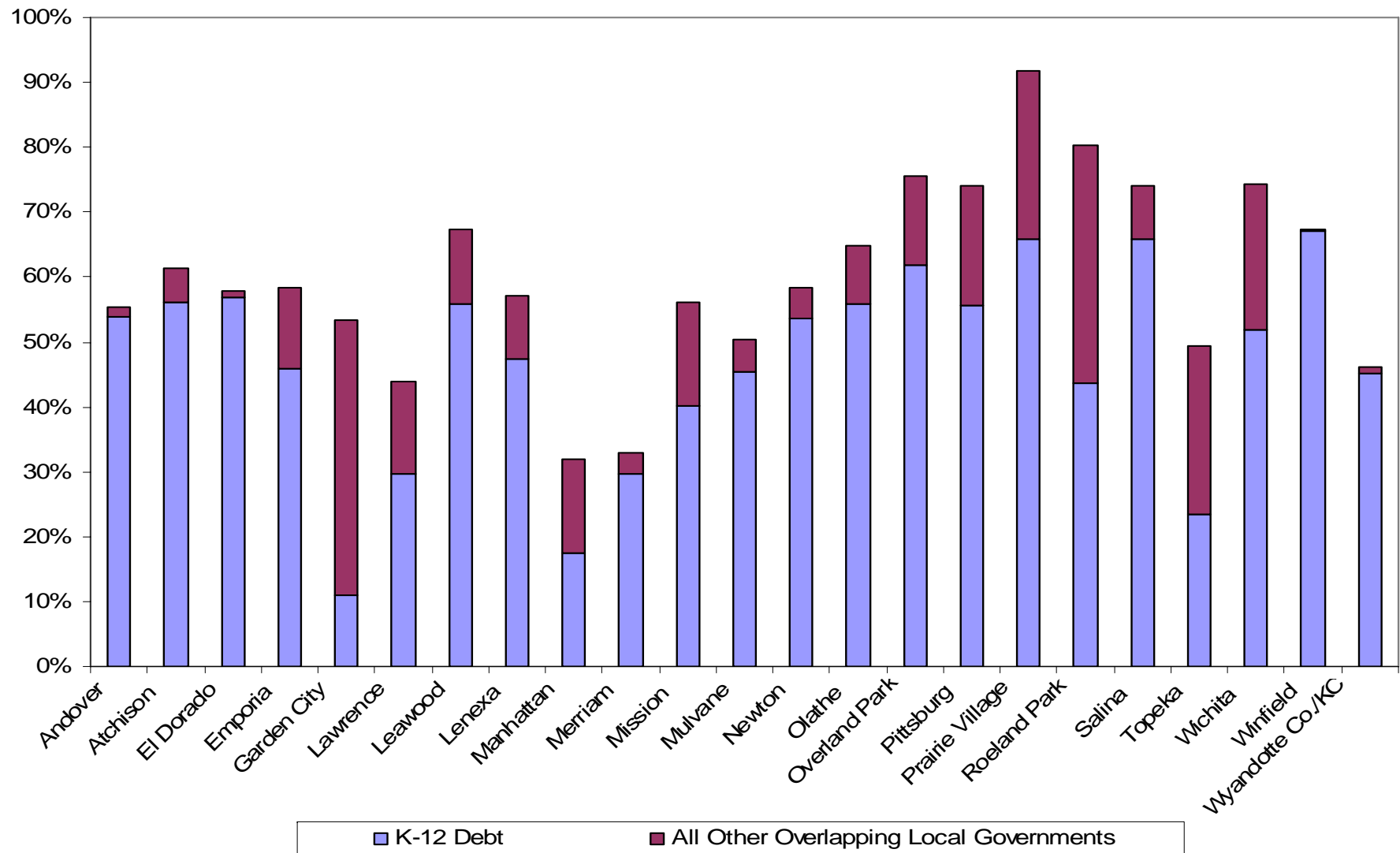
Composition of All Kansas Local Government Debt, 1990



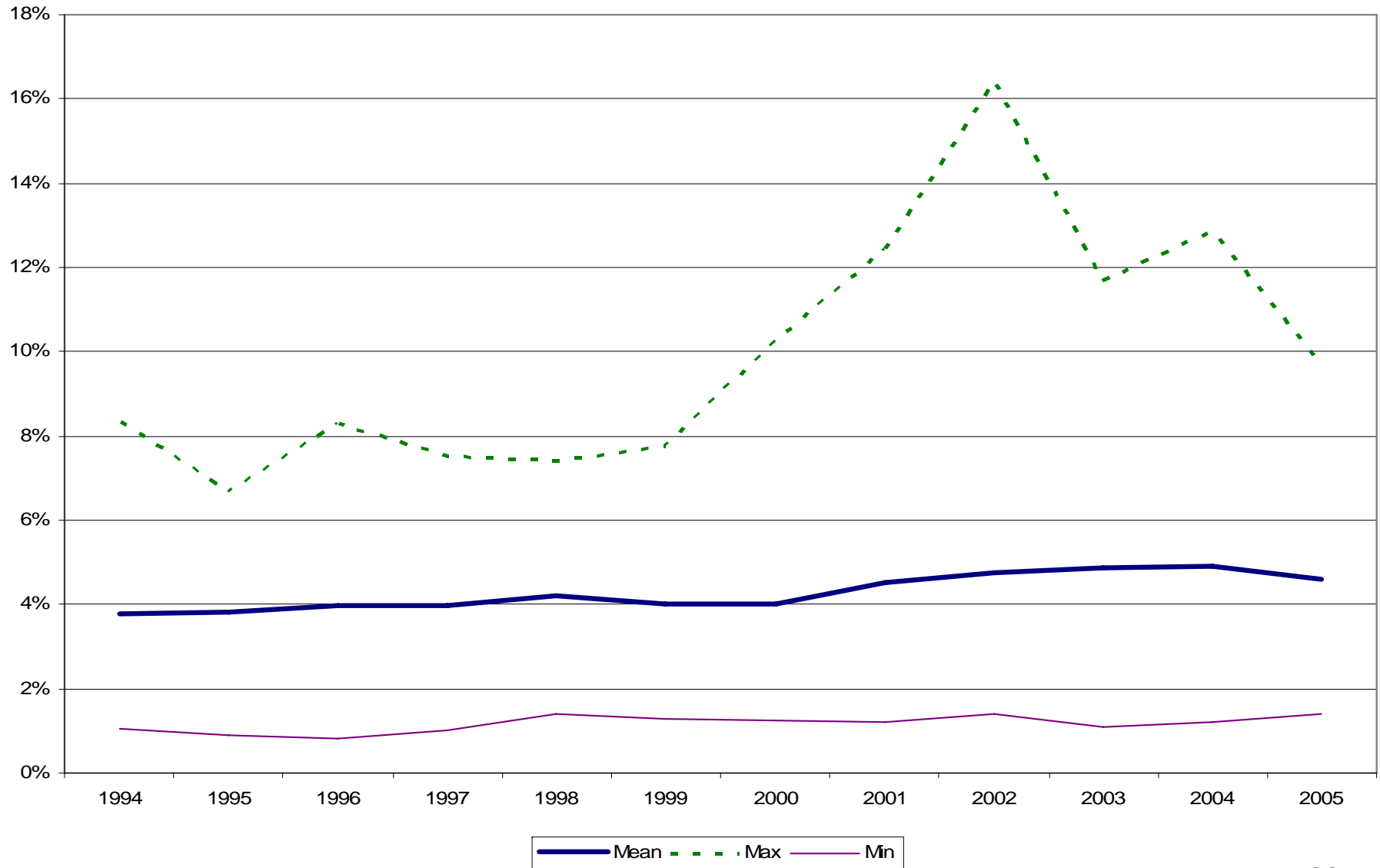
Composition of All Kansas Local Government Debt, 2005



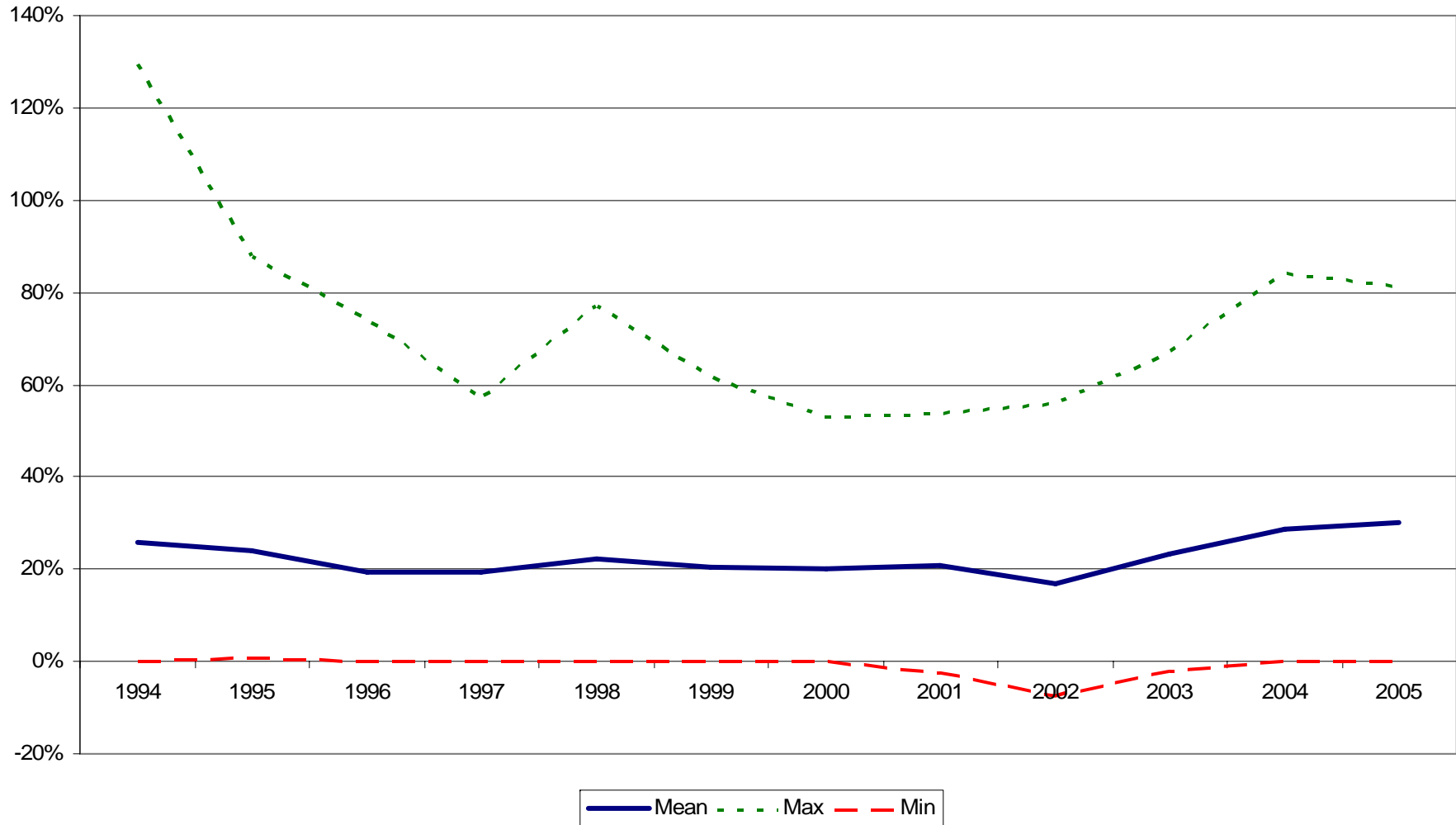
Percentage of Total Overall (Direct and Overlapping) Debt Contributed by K-12 Education and All Other Overlapping Local Governments, 2005



Overall (Direct and Overlapping) Debt as a Percent of Full Property Value, Kansas Cities with Comprehensive Annual Financial Reports



General Fund Unreserved Undesignated Fund Balance as a Percent of Expenditures, Kansas Cities with Comprehensive Annual Financial Reports



Local Government Debt Policy Choices

- Monitor the growth
- Weigh tighter limits
- Preserve bond security
- Promote debt coordination
- Enhance transparency
- Enable taxpayer comparison shopping

Comparative State Financial Results

- Data from each state's "Comprehensive Annual Financial Reports" (CAFRs), 2002-2005
- Based upon new government-wide financial statements
 - Statement of Net Assets
 - Statement of Activities
- Focus here is on "Governmental Activities" only [not "Business-Type Activities"]
- Shows "Means" for Kansas, Region (4 surrounding states), and Nation on selected financial condition indicators

Statement of Net Assets (the “balance sheet” as of year-end)

ASSETS

Current Assets (e.g., cash, investments, receivables)

Non-current Assets (e.g., capital assets, infrastructure)

Total Assets

-LIABILITIES

Current Liabilities (e.g., accounts payables)

Long-term Liabilities (e.g., unfunded pension and bonds)

Total Liabilities

=NET ASSETS

Invested in capital assets net of related debt

Restricted (i.e., constrained in use by creditors or law)

Unrestricted

Total Net Assets



Statement of Activities (the “income statement” of flows during year)

Expenses

-Program Revenues

Charges for services

Operating grants and contributions

Capital grants and contributions

=Net (expense) revenues

+General revenues and transfers

=Change in net assets

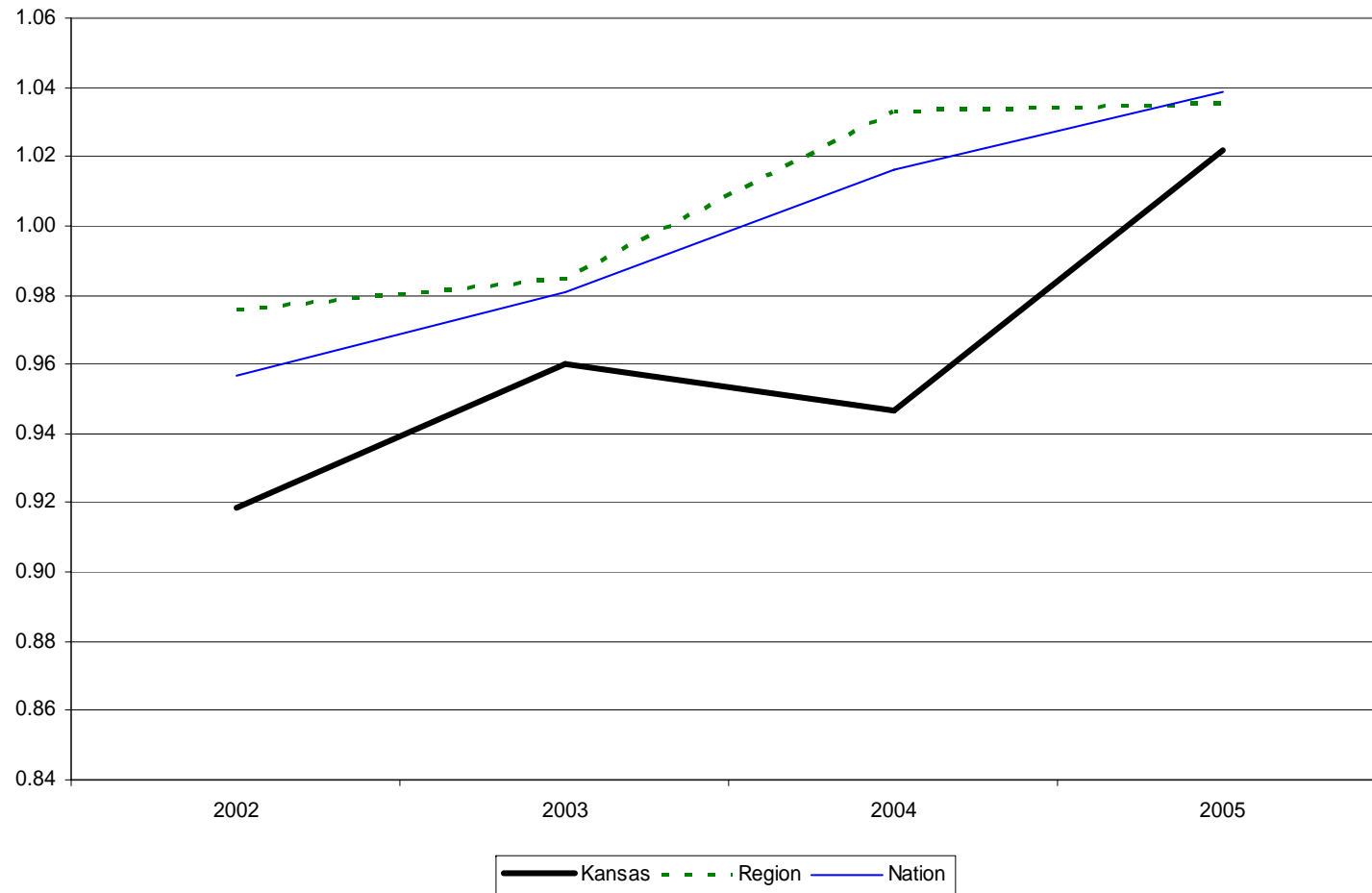
+Net Assets, beginning of year

=Net Assets, end of year

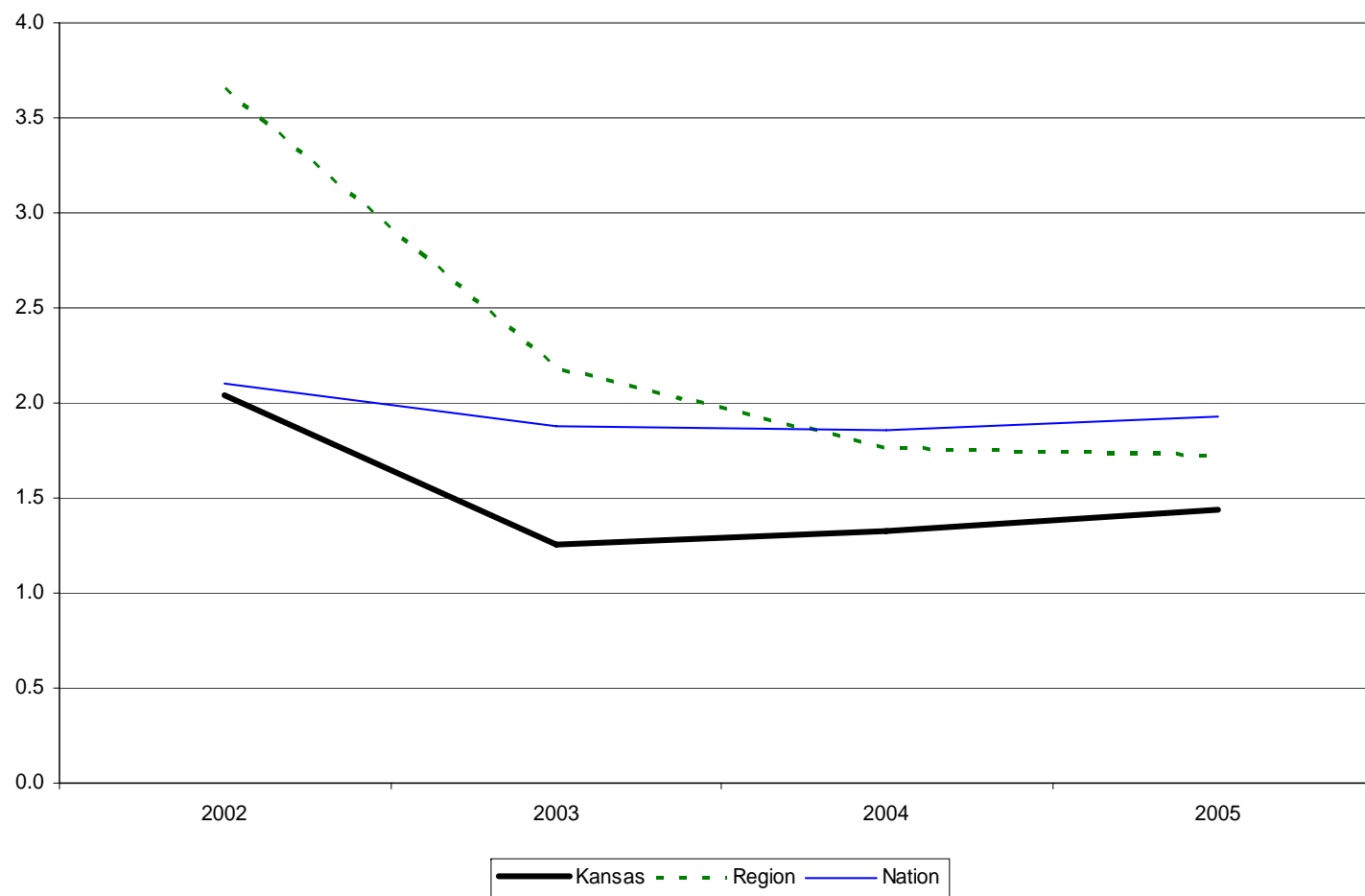


Operating Revenues

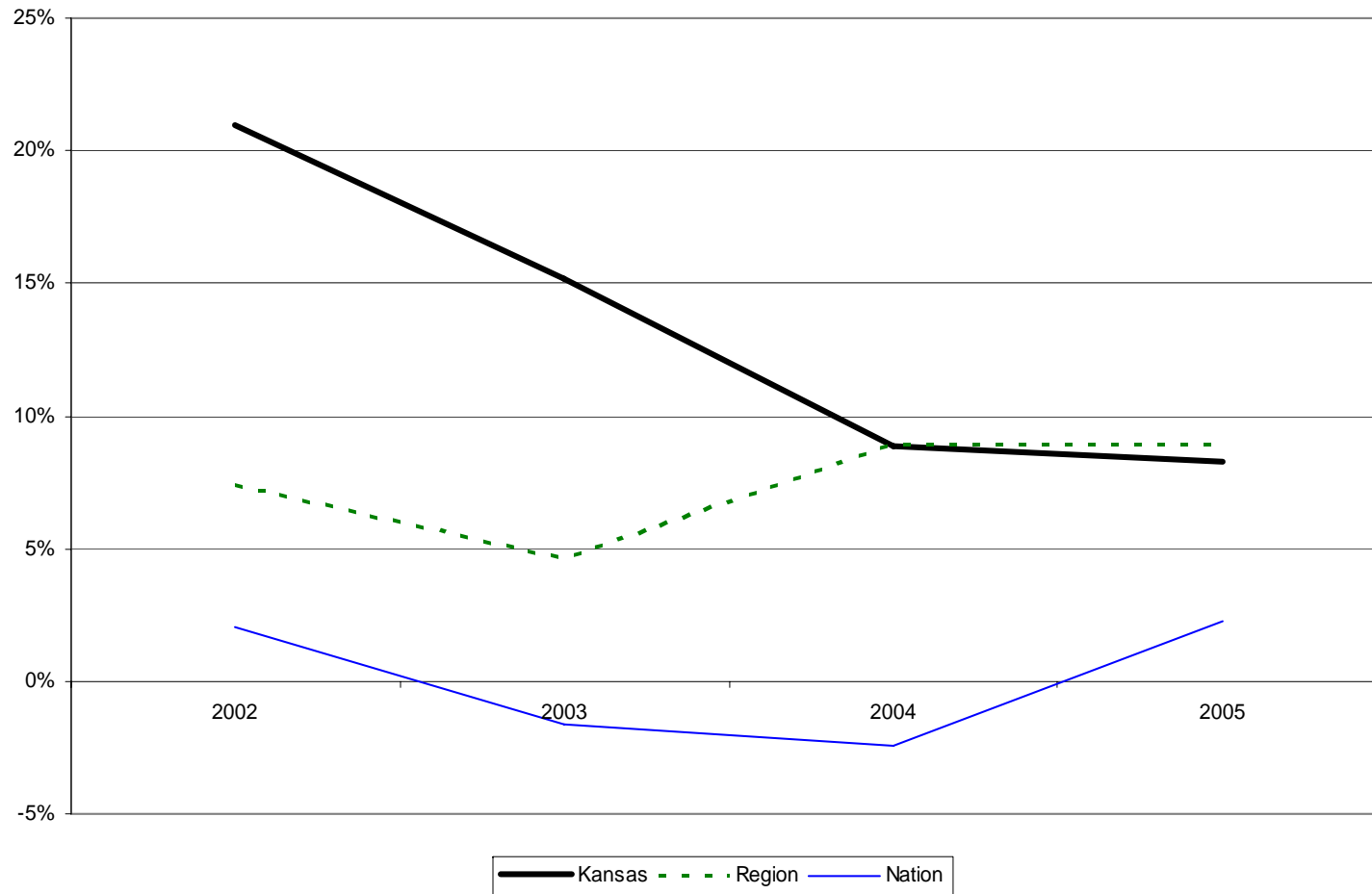
Operating Position: Operating Revenues / Expenses



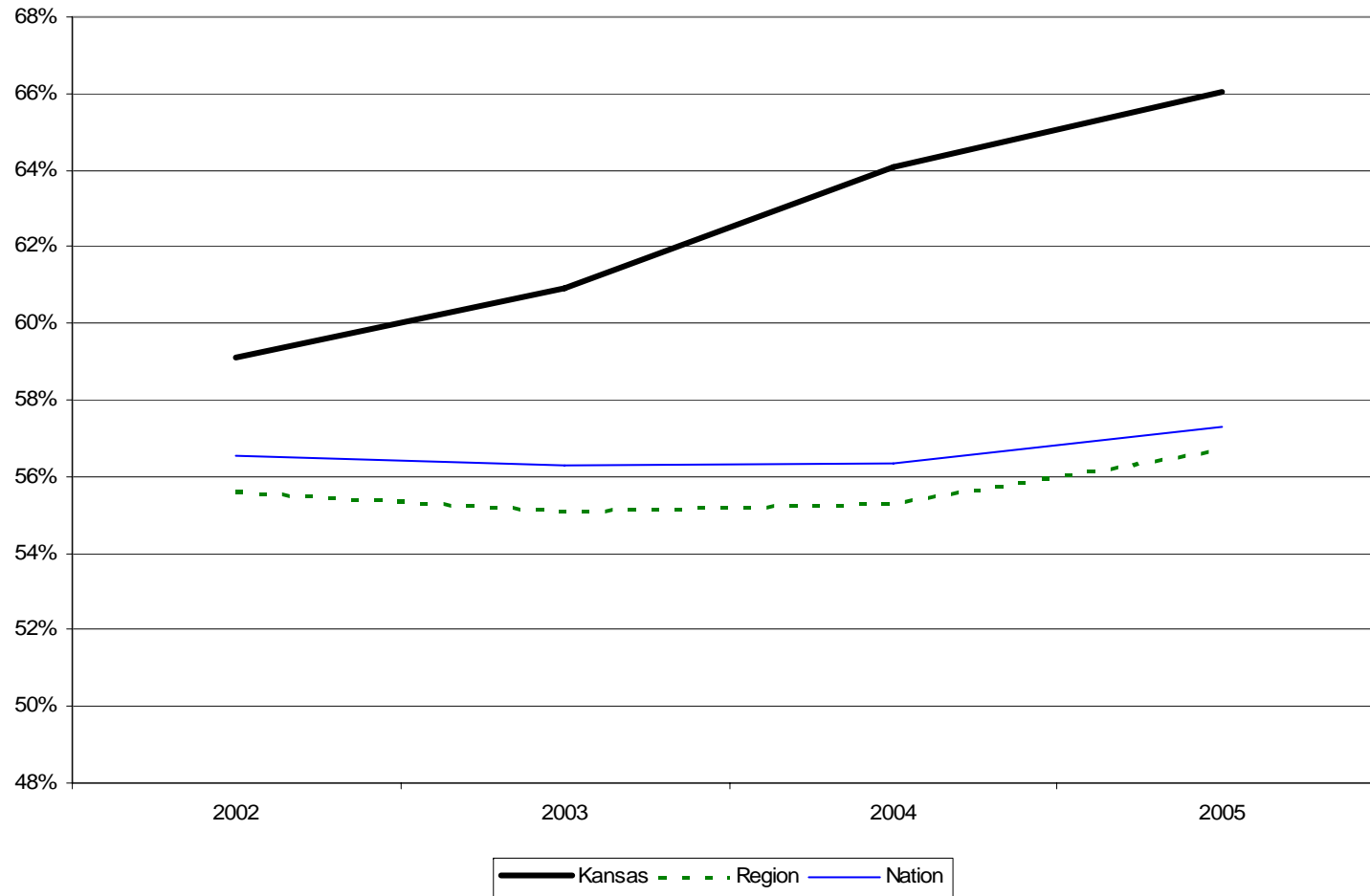
Liquidity:
Current Assets / Current Liabilities



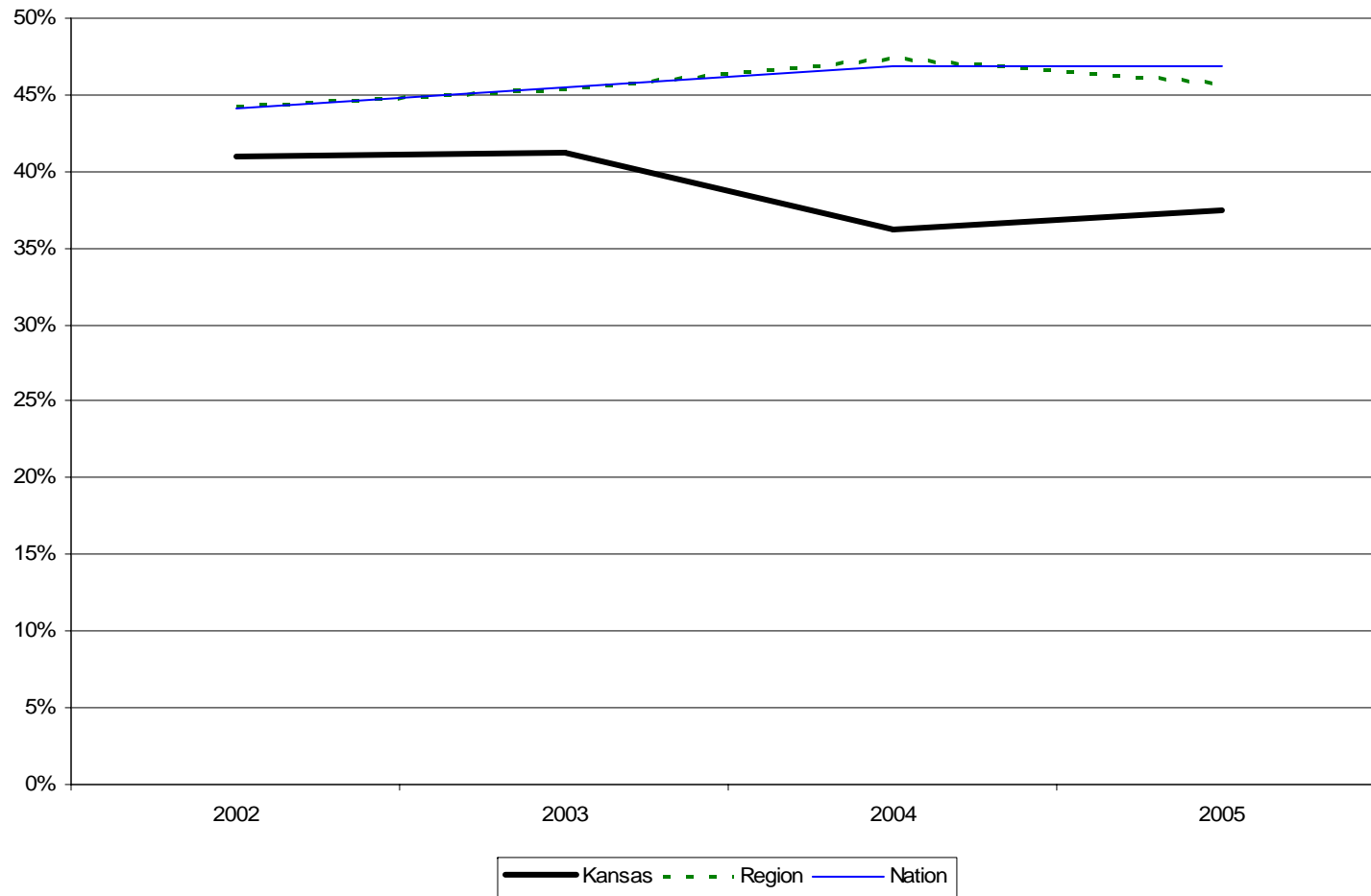
Financial Position: Unrestricted Net Assets / Expenses



Revenue:
General Revenues and Transfers / Operating Revenues



**Service Indicator:
Program Revenue / Expenses**



Sizing Up Kansas Public Finance

- The property tax base has evolved far from the “uniform and equal” concept suggested by the Kansas Constitution
- The sales tax is neither broad based nor limited to final consumption
- While the market continues to assess local debt as affordable, the growth in school debt affects city and county debt ratios with potential impact on borrowing cost
- The State’s comparative financial results show signs of recovery with tight margins and room for market pricing