

TESTIMONY OF COWLEY COUNTY ADMINISTRATOR JEREMY WILLMOTH
SB 316
MARCH 9, 2016

Mr. Chairman and Members of the Committee,

I am Jeremy Willmoth, County Administrator for Cowley County. My testimony will not focus on the property tax lid per se, but on the statements made by the Kansas Association of Realtors and others relating to increased property tax in the state of Kansas. The one point in this debate where there is agreement between the Realtors and local government is that residential property taxes have increased. Residential properties made up 22% of the property tax base in 1988, but rose to 40% of the tax base by 2005.ⁱ This hearing should include a discussion on why residential homeowners are shouldering the burden of property taxes in the state of Kansas.

The reason that residential property has seen an increased property tax burden is not the result of local government imposing higher property taxes; it is the result of shifting the tax from other property that has moved out of the tax base. Repeated legislation has been enacted that erodes the property tax base, resulting in a shift to residential property. One need only open the KSA Supplement book for Chapter 79, Article 2, to see all the exemptions added in recent years. Starting with the exemption for business machinery and equipment in 2006, the Kansas legislature has enacted tax exemption after tax exemption. The loss of property taxes on machinery and equipment was \$251,422,904 for just three years alone—2007-2010.ⁱⁱ In addition, the following items have been eliminated from the property tax base: coal gasification power plant property; refinery property; crude oil/natural gas pipeline property; biomass plant property; nuclear generation facility property; waste heat utilization system property; biofuel storage and blending equipment; carbon dioxide capture property; independent power producer property, electric transmission lines; and motor vehicles owned by military personnel.

In 2013 the Kansas legislature lowered the tax rate on watercraft from 30% in the Constitution to a mere 5% in statute. Valuation of watercraft has dropped from \$87,651,398 in 2009 to \$36,639,758 by 2014 and is expected to be at \$17,601,896 for 2015. This legislative action makes boats—an expendable item—taxable at a lower rate than a persons' home that is taxed at 11.5%.

Aside from the hits on the property tax base, local government has suffered the loss of State revenues that were historically shared with local government. From 1991 through 2010, the demand transfers of Local *Ad Valorem* Tax Reduction (LAVTR), City-County Revenue Sharing (CCRS) and Special City-County Highway (SCCHF) funds were eliminated to the tune of \$1.15 billion.ⁱⁱⁱ

Recently, at the request of the Kansas Association of Realtors, the Kansas legislature eliminated the mortgage registration fee, a fee paid by the mortgagee since 1925. The fee generated \$47m across Kansas in 2012.

Aside from the loss of revenue, Kansas counties have seen responsibilities shifted from the State to local government. For example, Governor Brownback deleted the local environmental planning program from his 2012 budget, and then vetoed it from the budget bill after the legislature restored the program to the budget. The program is now solely funded by local government.

State funding is near the bottom nationally on support for local public health: a 2015 study ranked Kansas 46 for state support for public health.^{iv} State aid to local funding has remained level since 1995, and when adjusted for the rate of inflation, this equates to approximately a 12% reduction. Again, the state has shifted the costs of public health to local government, the county local health department.

Community mental health centers are the safety net for adults and children with mental illness. CMHCs are a partnership between the State and counties, providing community-based care in place of state hospitals. Yet the State has retracted its funding for CMHCs in recent years, moving the expense to the counties. Counties have little choice but to invest in mental health care at CHMCs because citizens with mental illness will instead land in the county jail—a more expensive venue—if not treated.

Another case in point is state funding for funeral expenses for the indigent, which ended with the FY2011 budget. Counties, by law, are responsible for unclaimed bodies and when the indigent can no longer afford the funeral cost for a loved one, the family leaves the burial arrangements to the county.

When analyzing the arguments that property taxes have increased at the local level, the Kansas legislature should re-examine what actions it has taken to cause that increase. The fairest tax for the people of Kansas is the tax that is spread among the most people at the lowest rate, yet the property tax in our state has not followed that concept. I encourage you to vote against SB 316, and instead review the issues I have outlined above.

ⁱ *Erosion of the Kansas Property Tax Base*, Glenn W Fisher, Report Prepared for the Kansas Department of Revenue and the Kansas Advisory Council on Intergovernmental Relations, 2006.

ⁱⁱ League of Kansas Municipalities, Kansas Government Journal, January 2010

ⁱⁱⁱ League of Kansas Municipalities, Kansas Government Journal, January 2010. Losses for 2010 are estimated.

^{iv} *Investing in America's Health: A state-by-state look at public health funding and key health facts*. Trust for America's Health.