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To: **Chair Les Donovan, Senate Assessment and Taxation Committee**
From: **Board of County Commissioners, Cowley County Kansas**
Subject: **Written Testimony Opposing SB 316**
Subject: **March 1, 2016**

Mr. Chair and Members of the Committee:

Our county stands in strong opposition to the property tax lid enacted during the 2015 session. This legislation was never presented as a bill during the regular session, and never received a public hearing. The concept was added as a floor amendment to the tax bill in the final days of the session.

The Kansas Association of Realtors labels this bill as a public vote on the issue of increasing property taxes. They say this is the "ultimate local control" – allowing citizens to vote for the property tax increase. We take exception to that as the bill passed last year (and this bill moving up the delay provision) does not effectively allow for a proper election. The election process outlined in the 2015 legislation does not work with the statutorily-prescribed budget process. KAR has proposed fixing one date, which it argues will fix the election concerns. We do not believe that it will. The budget process outlined in Kansas statute begins with appraising property in the county at the beginning of the year and culminates with mailing the tax statements to taxpayers at the end of the year. Altering one date within the domino-effect of dates does not fix the issue. Thus, the legislation effectively becomes a solid tax lid, and does not adequately allow enough time for an election to determine taxes, as it is described. In addition, the cost of the election will most likely preclude smaller governments from ever attempting such a feat severely limiting their potential to absorb cost increases in the future.

Counties are funded by two primary sources: property taxes and sales taxes. For those County's that have a general Sales tax, it is capped at 1% and must be split with the cities abiding within the county. Our County does not have a General Sales Tax. Our General Fund is 90% funded by property taxes. The remaining 10% is primarily derived from three sources: The mortgage Registration Fee; The Motor Vehicle Fee; and the fees charged to other Counties/Cities to hold their inmates in our jail. The Mortgage Registration Fee, as you know is being phased out and out County projects to lose $100,000 annually when the fee is completely phased out and replaced with a minimal transaction fee. Those fees were used to help offset the $125,000 we spend on the Register of Deeds Office annually. The next revenue source is the income derived from the Treasurer's motor vehicle fund around $100,000 a year that helps to offset the $235,000 cost of running the Treasurer's Office. Finally, we receive approximately $140,000 from other Counties/Cities to hold their inmates and those funds help offset the $1.3 million we spend annually to run our County Jail. With the lid in place, and the mortgage fee being one of the largest non-property tax revenue sources we have, the County will have no choice (since an election is impossible under current law) but to cut services to make up for this loss of income.

As you know, Counties are a partner to the State and provide essential state services, such as valuing property and collecting taxes, registering motor vehicles, prosecuting state crimes, paying for courts, providing attorneys for those who cannot afford it, providing for juvenile and adult services designed to lower the population of State prisons, providing public health and mental health programs, and the list goes on. In recent years the State has shifted its responsibility and costs to counties: eliminating the mortgage registration fee, eliminating the oil/gas valuation depletion trust fund, eliminating funding for the Local Ad Valorem Tax Reduction fund (LAVTR) and other revenue-sharing programs, eliminating taxation of machinery and equipment, granting tax exemptions, sending felons to county jails, assigning costs of sexual predators to counties, shifting the burden of mental health funding to our community mental health centers and our jails to name a few.

From 1991 through 2010, the demand transfers of LAVTR, CCRS and SCCHF were eliminated to the tune of $1.15 billion dollars State wide. These funds were created to replace taxing authority that cities and counties had – we gave up this taxing authority and allowed the State to collect the taxes, and the State in turn was supposed to share the tax revenues. The LAVTR fund was squarely aimed at reducing property taxes at the local level.

The Kansas Association of Realtors asserts that property taxes are high, and interestingly starts its analysis in 1997, at the end of the 1990s tax lid and the end of demand transfers, resulting in an exaggerated increase in property taxes. From 2006-2015, the county per-capita tax increase was 30.45%. That averages out to 3.04% per year. The majority of that increase is due to the County consolidating 911 services with the two largest cities in our County. Without that consolidation to save the taxpayers' money, our levy would have only increased 22.43%. That averages out to 2.24% per year. The county per-capita tax in 2006 was $228 and in 2015 it was $297. Had we not consolidated 911, it would have been $279.

If our county cannot raise the necessary revenues to support services, the services will be cut. Our citizens will see a decrease in local government services and they will not have the opportunity to vote on that decision because a realistic election procedure is not included in this legislation. I think what gets lost in this conversation is that the things we purchase do not follow typical inflationary patterns. For example:

- In 2006 the County spent $70,000 to provide legal counsel to those who cannot afford it. In 2016, we plan on spending $113,000 or 61% more than we did in 2006.
- In 2006, we spent $53,000 on postage mailing out notices to tax payers. In 2016 we plan on spending $83,000 or 56% more than we did in 2006 and that is after we have tried to limit our mailings by utilizing post cards and email where possible.
- In 2006, we spent $179,000 on utilities. In 2016 we are planning on spending $300,000 or 67% more and that is after we have spent considerable money on energy efficient appliances and reduced the amount of buildings we use to operate the County.
- In 2006, the County spent $231,000 on KPERS/KPF pension plans. In 2016, we are planning on spending $665,470 or 188% more than we did in 2006. (Note: This does not include any staffing additions such as when we added the County Wide 911 department in 2013 for comparison purposes).
- In 2006 we spent $826,000 on road oil/mat materials for road improvement projects. In 2016, we are planning on spending $1,420,000 or 72% more than 2006 and that is at a reduced volume which equates to less road work for more money.

As you can see from these examples, a CPI inflationary index which over the last 10 years has averaged 2.1% (and is 0.7% in 2015) will do nothing to help with these vast cost increases.

Simply put, as we spend more money on these essential services we will be forced to cut other services to offset the increases. We believe there is a perception that Counties in general are not thrifty with tax payer dollars and while we cannot speak for the other 104 Counties, we can tell you that Cowley takes exception to that gross oversimplification of the data. We spend more quite simply, because the stuff we buy costs more!

For these reasons we ask that you repeal the 2015 legislation and return our state to the principal that the government closest to the people is the best for the people. Citizens have always voted for county officials that best represent their values, and have entrusted them to wade through the complicated process of determining the budgetary needs of the community on their behalf. We see no reason why that process should not be continued.