



# WALLACE COUNTY

## BOARD OF COUNTY COMMISSIONERS

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District #2, Mr. Michael Cowles  
District #3, Mr. Adam W. Smith

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**Testimony of Adam Smith, Wallace County Commissioner  
Before the House Taxation Committee  
In Opposition of Senate Bill No. 316  
March 9, 2016**

Chairman Donovan and Honorable Members of the Committee:

First of all, thank you for allowing a hearing so that the proposed legislation can be properly vetted and decided with input from the proponents and opponents. It is a very important part of the legislative process and I appreciate the opportunity to be heard! I do have statements of opposition to SB 316.

Disseminated research states property taxes rose 119% since the last tax lid was repealed. That may sound like a lot, but look at the changes since the late 90's. Technology expense has grown massively with state and federal mandatory requirements for systems in law enforcement, medical facilities, and more. Health insurance costs have skyrocketed, with severe penalties for reduction in benefits. Plus, local governments have had to cope with revenue losses at the hands of the state legislature from refusal to pay demand transfers. Two of those transfers are the Local Ad Valorem Tax Reduction Fund and the County and City Revenue Sharing Fund that were specifically created to provide property tax relief! If the legislature truly wants to help out property tax bills so much, why are they refusing to make these transfers? It's interesting that the last time these funds were treated as a demand transfer was 2001. That's very close to same time frame quoted in the research of the 119% increase. The total of all demand transfers denied by the legislature since 1997 is just over \$2 Billion dollars! And that doesn't even include other eliminated revenue sources like the mortgage registration fee, the abolishment of oil and gas depletion trust fund, or the continued shrinking of property tax base through exemptions. Do you think that may be part of the reason why local governments have had to increase property taxes?

If the legislature doesn't want to provide property tax relief demand transfers, fine. But don't quote research from a time when demand transfers were being funded and then accuse local government of being the solely responsible for raising local property taxes.

Another insight that merits consideration: a tax lid can actually result in unnecessary increases. At first, that may sound contradictory, but even the most conservative officials may be tempted to budget for as much revenue as possible in order to build up reserves to stabilize their general fund. Property valuation can change drastically with little predictability, especially if you have large portions from certain types of property, such as oil and gas. Volatility creates a fear of uncertainty and some local governments would need healthy reserves to provide stability. By raising property taxes each year just below the threshold, local governments would establish a "tax and save" philosophy that, in the end, won't reduce property tax bills one red cent.

Just for comparison, in the last five years the base state sales tax rate has increased 22.6%. According to the United States Dept. of Labor - Bureau of Labor Statistics, CPI in that same time frame was 8.0%. So, while local government is chastised for increasing property taxes at three times the rate of inflation, the legislature has increased the base state sales tax at practically the same amount! Why are property tax

increases "unfair and unacceptable", but the state sales tax is completely ignored? Where is the outcry for the "ultimate local control" on state sales tax?

As you know, cities and counties are required to hold a budget hearing and give citizens the chance to speak in favor or against the proposed budget. In addition, current state law already sets limitations on how much local government can increase their budgets before they are required to publish a public notice specific to the increase. Provisions are already in place to inform and allow citizens the opportunity to voice their opinion about their local property taxes.

That being said, I do agree that the ultimate local control lies in the voice of the voters, and an election certainly provides residents a direct voice. As a property owner, you should have the right to oppose your taxes. However, while an election provides a quantifiable answer, we must also remember that not all voters are property owners and not all property owners are voters! As a commissioner, I attempt to consider everyone affected by county financial policy, because it hurts our local economy if absentee owners find it difficult to do business due to imposing policy.

If the legislature feels that property tax limitations need to be in place, please do not automatically require more taxpayer dollars be spent by requiring a special election. Allow the people a voice first through a petition, and then a final voice through an election only when necessary.

In the end, local property taxes are best when established by locally elected officials. These local officials are directly accountable to their constituents. They are friends and neighbors in the community. They attend the basketball games on Friday night. They shop at the grocery store and chime in at the coffee shop. They know their unique local economy better than anyone. Local officials understand what it takes to provide the essential services for their community like law enforcement, fire and rescue, health and medical services, as well as the public infrastructure like roads and utilities.