

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATIONThe meeting was called to order by Representative Jim Braden at
Chairperson9:00 a.m./~~p.m.~~ on January 17, 1983 in room 519-S of the Capitol.

All members were present except: Representative Reardon who was excused.

Committee staff present:

Wayne Morris, Research Department
Tom Severn, Research Department
Don Hayward, Revisor of Statutes' Office
Nancy Wolff, Secretary to the Committee

Conferees appearing before the committee:

Don Schnacke - KIOGA
Bob Anderson - Mid-Continent Oil and Gas Association
Paul E. Thornbrugh - MAPCO, Inc.
Fred Allen - Kansas Association of Counties
Ernie Mosher - Kansas League of Municipalities
Glenn Crum - Mayor, Haysville, Kansas
Kim Dewey - Sedgwick County Commission
Janet Stubbs - Kansas Association of Homebuilders
Allen Lloyd - City of Lawrence, Kansas

The meeting was called to order by the Chairman who introduced HB 2036. He stated that this bill is necessary to reinstate a penalty for late filing of Statement of Assessment on oil and gas leases. He mentioned that this statute was repealed by accident by SB 832 in 1982.

Tom Severn of staff reviewed the bill and he gave the committee some background on legislation in prior years relating to the late filings of Statements of Assessment.

Don Schnacke, KIOGA, testified that his organization was not aware that these penalties had been repealed. He also stated that the major problem encountered by the producers in making timely filings, is the difficulty in obtaining the manual of instructions from the Director of Property in time to make their filings before the penalty goes into effect.

Bob Anderson, Mid-Continent Oil and Gas Association, stated that there should be some mechanism for waiver of this penalty in the event these filings are legitimately late.

Paul E. Thornbrugh, MAPCO, Inc., stated that many companies in Kansas hire consultants who are outside of the state of Kansas to make these filings for them. There have consequently been some very severe penalties assessed due to mix-ups in where filings should be mailed. He felt that there should be discretionary penalties rather than mandatory penalties assessed on the part of the counties.

Fred Allen, Kansas Association of Counties, appeared in support of the bill. He stated that the bill does allow an appeals process and that his organization feels that this appeals process is appropriate.

Tom Severn then proceeded to review HB 2037 which is another of the bills required to correct legislation erroneously repealed by SB 832. This bill has to do with the apportionment of valuation of certain real property along with the duties and authority of the county appraisers.

The Chairman stated that the committee will try to take action on these two bills on Thursday, January 20, and that the members should have all amendments written out with the help of the Revisor's office by that day.

The Committee then proceeded to hold hearings on House Bill 2011 which originated in the Special Committee on Local Government. Johnson County requested legislation to correct a situation whereby developers would have special assessment bond issues enacted by the counties for streets and sewers and then, when the

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519-S, Statehouse, at 9:00 a.m. ~~p.m.~~ on January 17, 1983.

property was not sold, would not pay such assessments in a timely manner.

Tom Severn reviewed the current procedure for sale of property for taxes and at the current time, it can take almost four years before such property can be sold. The changes proposed in HB 2011 will allow all property, except home-steads, to be sold one year after first bid-in procedure is instigated by a county.

Representative Van Crum was the only member of the Assessment and Taxation Committee that served on the Special Committee. He stated that currently, taxes are supposed to be paid in two installments. If they are not paid, it is the following September before any action can be taken to foreclose or place a lien on the property. It is then three years later before final action can be taken which is almost four years following initial non-payment for a county to fore-close.

One member of the committee stated that a lien is automatic as soon as taxes are not paid. The bid-in procedure does not need to be filed. It does take four years, but this can be put off indefinitely by paying one year of taxes at a time.

Ernie Mosher of the League of Municipalities appeared in support of the bill. Of special interest to the League was the expedited calendar of tax foreclosure applicable to property on which there are delinquent special assessments, and suggested that if the committee was concerned about the bill in its present form, a possible compromise would be to limit the change in procedure to apply only to property on which there are special assessments outstanding. (Attachment I)

Glen Crum, Mayor of Haysville, appeared in favor of the bill and stated that the Association for Legislative Action of the Rural Mayors of Sedgwick County had met the preceeding weekend and voted to appear in support of the bill. (Attachment II)

Kim Dewey of the Sedgwick County Commission, appeared in favor of the bill. Sedgwick County has a very serious problem with delinquent taxes particularly on property with special assessments and in 1983 had to levy \$350,000 to make up the shortage.

One of the committee members remarked that this problem was started originally by the county commissions in that they had approved these special assessments in the beginning and perhaps some guidelines need to be established to help control issuance of these bonds.

Janet Stubbs, Kansas Association of Homebuilders, appeared and stated that her organization has no problem with the bill, in concept. The Homebuilders Association's main concern is that this bill is also going to affect individuals, small businesses, developed property and developed land that has not been sold. The Board suggested that perhaps a two-year time period, rather than a one-year period, would be something the committee might want to consider.

Fred Allen, Kansas Association of Counties, stated that his organization supports this bill.

Allen Lloyd, City of Lawrence, appeared in support of the bill, but feels that the legislation should be tied to property with special assessments only. (Attachment III)

The meeting adjourned at 10:28 a.m.

Statement on HB 2011--Property Tax Foreclosure Dates

To House Committee on Assessment and Taxation

By E.A. Mosher, Executive Director, League of Kansas Municipalities
Monday, January 17, 1983

By action of the Governing Body of the League, we support passage of HB 2011. Of special interest to us is the expedited calendar of tax foreclosure applicable to property on which there are delinquent special assessment.

The substance of the bill is to establish a different tax foreclosure period for two classes of real property. The present three-year, ^{period} now applicable to all property, would apply in the future only to homestead property. All other property would be subject to a new one-year foreclosure. Homestead real estate, by reference to the Constitution, is defined as 160 acres of farming land and one acre within a city occupied as a residence by the family of the owner, together with improvements.

While special assessments are not general or ad valorem property taxes, they are considered to be and collected as special taxes on property. For example, special assessments levied against property for a street improvement, which are not paid immediately by the property owner, are certified to the county clerk in essentially the same manner as general property taxes, and are collected and distributed in the same manner. They are a lien against the property. To finance the local improvement, bonds are issued, typically with ten-year payments of the principal and interest. Typically, property owners will have up to ten years of annual installments to pay their special assessments. If the city fails to receive total assessment payments annually equal to the amount billed and sufficient to pay the principal and interest, a city-wide property tax must be levied.

Over the years, this process has worked quite well. However, subdivision lots with installed public improvements financed by special assessments, which have not been improved by residences or other buildings have presented some serious problems in the recent years, particularly as a result of the slowdown in housing construction. Where special assessments have been used to finance the capital costs of permanent street improvements as well as water and sewer main extensions, a total assessment of several thousand dollars for a residential lot is not uncommon. When the owner of the lot has no immediate prospect for selling or using it, there is a temptation to let the property go delinquent, both in taxes and special assessments. In some instances, the first of three years of delinquent taxes and specials will be paid, with interest, preventing foreclosure. While the interest penalty may be 18 percent, this does not help the city; the city special assessment fund does not receive any of the interest or payment--that's kept by the county--although the interest on the bonds continues.

I would emphasize the difference between delinquent general taxes and delinquent special assessments. Theoretically, property taxes have some relationship to the owners' ability to pay or wealth, since it is based on the value of the property. Further, property taxes are used for general government purposes, and there is no requirement that the property benefit dollar-for-dollar in relation to the taxes paid. Special assessments, however, are related solely to the benefits to that individual parcel. Indeed, the amount of special assessments levied on a parcel of property may not legally exceed the benefits accruing to that property. Given their nature and purpose, requiring city-at-large property owners to pick up the tab for unpaid special assessments is much more unreasonable, in my judgement, than picking up the tax for delinquent general property taxes.

Finally, I would note that a one-year delinquency before foreclosure is not as precipitous as it sounds. Given all the statutory time and notice requirements, and typical county practices, I suspect that foreclosure proceedings for taxes and specials due on December 20, 1982 would not be completed until 1984, and probably later.

JANUARY 17, 1983

Mayor Glenn Crum
City of Haysville, KS
200 W. Grand Ave.
P.O. Box 404
Haysville, Kansas 67060
(316) 524-3243

MEMBERS OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION;
LADIES AND GENTLEMEN...ON BEHALF OF THE CITY OF HAYSVILLE,
KANSAS, A GROWING CITY OF MORE THAN 8,500 PEOPLE IN SOUTH
SEDGWICK COUNTY, I WOULD LIKE TO THANK YOU AND YOUR CHAIR-
PERSON FOR THE OPPORTUNITY TO ADDRESS YOU THIS MORNING.
THIS MARKS THE FIRST TIME OUR CITY HAS ADDRESSED YOU AS A
GROUP, BUT THE IMPORTANCE OF THE SUBJECT BEFORE YOU HAS
PROMPTED THIS INITIATION.

TODAY, I PRESENT YOU WITH A PROBLEM THAT NOT ONLY OUR
CITY, BUT THE ENTIRE ASSOCIATION FOR LEGISLATIVE ACTION FOR
RURAL MAYORS IN SEDGWICK COUNTY, HAS AGREED IS ONE OF THE
GREATEST FACING OUR CITIES AND COUNTIES DURING THIS SESSION.
THIS PROBLEM AND POSSIBLE SOLUTION LIES BEFORE YOU TODAY...
THAT OF RISING DELINQUENT TAXES, BOTH PROPERTY AND SPECIAL,
AND HOW THE CITIES AND COUNTIES CAN PREVENT DELINQUENT TAX
PAYERS FROM EXTENDING THEIR DELINQUENCIES FOR AS MUCH AS FIVE
YEARS BEFORE THE DUE TAXES CAN BE COLLECTED.

ACCORDING TO THE 1980 POPULATION CENSUS, CITIES OF THE
SECOND CLASS HAD GROWN BY AS MUCH AS 26% WHILE CITIES OF THE
THIRD CLASS HAD GROWN BY 18% IN SEDGWICK COUNTY. IN ADDITION,
UNINCORPORATED AREAS OF SEDGWICK COUNTY GREW AT A RATE OF 14%.
SUCH GROWTH HAS ADDED TO THE RAPID DEVELOPMENT OF THE METRO-
POLITAN AREA, CREATING A BETTER PLACE TO LIVE AND A DRAWING
PLACE FOR NEW RESIDENTS COMING TO THE AREA FOR THE FIRST TIME.

TO MEET THIS RAPID GROWTH IN POPULATION AND DEMAND FOR HOUSING, MANY CITIES AND COUNTIES HAVE ISSUED SPECIAL IMPROVEMENT BONDS FOR NEW HOUSING SUBDIVISIONS WITHIN THEIR JURISDICTION. THESE PREDOMINANTLY UTILITY IMPROVEMENTS, SUCH AS WATER AND SEWER MAINS, HAVE BEEN AUTHORIZED BY GOVERNING BODIES FOR THE BENEFIT OF NEW DEVELOPMENTS THAT HAVE LOOKED FOR LOW COST, LOW CAPITAL INVESTMENT, OPTIONS TO ASSIST THEM IN THE EARLY STAGES OF THEIR HOUSING AND COMMERCIAL DEVELOPMENTS. ONCE A PETITION FOR IMPROVEMENT BONDS IS RECEIVED AND APPROVED, THE DEVELOPER IS ASSURED OF BEING ABLE TO OFFER A NEW HOME AT A MORE REASONABLE COST DUE TO THE LOWER INTEREST RATE ATTRIBUTED IMPROVEMENT BOND FINANCING. MORE AFFORDABLE HOUSING MAKES FOR A MORE SUCCESSFUL DEVELOPMENT...OR SO IT WOULD SEEM.

IN MOST CASES, THE COSTS FOR THE IMPROVEMENTS WILL BE SPREAD AMONGST THE BENEFIT DISTRICT, WITH EACH HOUSE PAYING A PORTION OF THE PRINCIPAL AND INTEREST ON THE BONDS, USUALLY ISSUED FOR FROM 10 TO 15 YEARS. IF THE LOTS ARE NOT SOLD BY THE FIRST PAYMENT DUE, THEN THE DEVELOPER IS OBLIGATED TO PAY THE SPECIAL ASSESSMENT.

BUT WHAT IF THESE FINANCIAL OBLIGATIONS ARE NOT PAID BY EITHER THE DEVELOPER OR THE NEW HOMEOWNER? WHO PICKS UP THE BILL? THE TAXPAYER AT LARGE...THAT'S WHO. WHY? BECAUSE EVEN THOUGH THE BOND PRINCIPAL AND INTEREST IS DUE ON AN ANNUAL BASIS, THE DELINQUENT SPECIAL ASSESSMENTS CANNOT BE RECOVERED... OR EVEN BEGIN TO BE RECOVERED...BEFORE THREE YEARS AND NINE MONTHS HAVE TRANSPIRED...ACCORDING TO THE PRESENT STATE STATUTE 79-2801. BY THEN THE TAXPAYERS AT LARGE HAVE PAID FOR ALL THE FINANCIAL OBLIGATIONS AND CAN LOOK FORWARD TO AT LEAST A YEAR MORE ACCORDING TO COURTHOUSE OFFICIALS WHILE THE ACTION

GOES THROUGH THE PROPER DUE PROCESS.

SO WHAT HAS THIS MEANT TO HAYSVILLE AND OTHER CITIES AND COUNTIES IN THE STATE? IN 1979, SEDGWICK COUNTY INFORMED HAYSVILLE CITY OFFICIALS THAT IT HAD A TOTAL OF \$9,608 IN DELINQUENT SPECIAL ASSESSMENTS OUTSTANDING...OR A DELINQUENCY RATE OF 11 PER CENT OVER WHAT WAS EXPECTED TO BE COLLECTED THAT YEAR IN PRINCIPAL AND INTEREST PAYMENTS. IN 1980, THE COUNTY SHOWED THE CITY AN ADDITIONAL \$38,293 IN DELINQUENT SPECIALS OR WHAT AMOUNTED TO A DELINQUENCY RATE OF 32 PER CENT FOR THE YEAR. AND IN 1981, THE COUNTY SHOWED AN ADDITIONAL \$79,851 IN DELINQUENT SPECIALS OR A 44 PER CENT DELINQUENCY RATE FOR THE YEAR. EACH YEAR, THE CITY MET ITS OBLIGATIONS TO PAY PRINCIPAL AND INTEREST, BUT THE TAXPAYER AT LARGE...AND NOT THE DEVELOPER OR IMPROVED LOT OWNER...PAID THE BILL THROUGH AN INCREASE IN HIS PROPERTY TAX THE CITY MUST USE TO PAY OFF REMAINING BOND OBLIGATIONS.

BUT WHAT OF OTHER CITIES AND THE COUNTY OF SEDGWICK? ACCORDING TO THE COUNTY TREASURER'S OFFICE, OF THE 4 PER CENT OVERALL TAX DELINQUENCY RATE FOR SEDGWICK COUNTY, THE VAST PERCENTAGE OF DELINQUENCY COMES FROM SPECIAL ASSESSMENTS ISSUED BY THE COUNTY FOR NEW SUBDIVISION SPECIAL ASSESSMENTS IN UNINCORPORATED AREAS. IN THE CITY OF WICHITA, IT IS ESTIMATED THAT THERE ARE MORE THAN \$800,000 IN SPECIAL ASSESSMENTS NOW DELINQUENT...WHILE SMALL FAST GROWING CITIES LIKE BEL AIRE, PARK CITY, ROSE HILL AND DERBY SHOW A GREATER PERCENTAGE DELINQUENCY IN SPECIALS FOR NEW SUBDIVISIONS THAN EVER BEFORE. WHAT ALL THIS MEANS IS THAT THE PRESENT LAWS RELATING TO COLLECTION OF SPECIAL ASSESSMENTS AND PROPERTY TAXES IN GENERAL DO NOT LET OR ALLOW CITIES OR COUNTIES TO MEET THEIR FINANCIAL OBLIGATIONS WITHOUT HAVING TO RAISE

TAXES FOR THEIR CITIZENS AT LARGE. RATHER THAN ENCOURAGE DEVELOPERS TO PAY FOR SPECIAL ASSESSMENTS PROMPTLY, THE PRESENT LAWS ALLOW THEM TO DEFER THEIR OBLIGATIONS AT SOMEONE ELSE'S EXPENSE FOR UP TO FIVE YEARS. SOMETHING HAS TO BE DONE...AND SOON.

WHAT WE ARE TALKING ABOUT IS NOT NEW. THE LEGISLATURE MOVED SEVERAL YEARS AGO TO RAISE THE DELINQUENT INTEREST COST ON TAXES, BUT STILL WE HAVE A PROBLEM. IF THE PROBLEM CONTINUES, WE SEE A GREATER RELUCTANCE ON THE PART OF CITIES AND COUNTIES TO USE IMPROVEMENT BOND FINANCING...AND THUS DISCOURAGE DEVELOPMENT OF RESIDENTIAL AND COMERCIAL^A AREAS THROUGHOUT THE STATE. SOME DEVELOPERS JUST WILL NOT BUILD IN KANSAS; OTHERS..... WITHOUT BOND FINANCING...WILL HAVE TO HAVE A GREATER INVESTMENT UP FRONT TO PASS ON TO THE NEW OCCUPANTS...AND THUS CAUSE HOUSES TO BE MORE EXPENSIVE.

NO GROWING CITY OR COUNTY WANTS TO SEE WHAT I HAVE DESCRIBED HAPPEN, BUT WITHOUT YOUR HELP IN CHANGING THE LAWS THAT NOW GOVERN DELINQUENT TAXES, ANYTHING IS POSSIBLE. YOUR SUPPORT OF HOUSE BILL 2011 IS STRONGLY ENCOURAGED NOT ONLY BY THE CITY OF HAYSVILLE, BUT THE 19 MEMBERS OF THE SEDGWICK COUNTY ASSOCIATION FOR RURAL MAYORS FOR LEGISLATIVE ACTION WHO VOTED IN FAVOR OF THE BILL THIS WEEKEND.

CITIES AND COUNTIES HOLD THE TOOLS TO PROMOTE DEVELOPMENT IN KANSAS. HELP US DO IT AT THE EXPENSE OF THE PETITIONER FOR THOSE IMPROVEMENTS...AND NOT AT THE COST OF THE TAXPAYER AT LARGE.

THANK YOU FOR YOUR TIME AND INTEREST.

MAYOR GLENN CRUM
HAYSVILLE, KANSAS
JANUARY 17, 1983

CITY OF LAWRENCE, KANSAS
SPECIAL ASSESSMENTS DELINQUENT - From 1966 thru 1983

ATTACHMENT III

YEAR	C TOTAL ASSESSED	RECEIPTS COLLECTED	B BACK COLLECTED	A AMOUNT AND PERCENT DELINQUENT
1966	\$ 386,695.10	\$ 366,234.20	\$ 34,286.25	\$ 20,460.90/ 5.29%
1967	372,358.45	342,810.11	13,381.19	29,548.34/ 7.94%
1968	411,075.79	378,491.79	17,353.65	32,584.00/ 7.93%
1969	372,001.32	353,318.42	38,673.13	18,682.90/ 5.02%
1970	557,967.00	470,545.30	15,300.04	87,421.70/ 15.67%
1971	669,517.16	553,585.73	41,564.00	115,931.43/ 17.32%
1972	735,324.42	605,674.44	87,796.99	129,649.98/ 17.63%
1973	774,707.09	664,858.35	75,980.21	109,848.74/ 14.17%
1974	778,242.56	670,064.55	50,685.59	108,178.01/ 13.90%
1975	848,183.52	735,308.25	44,380.55	112,875.27/ 13.31%
1976	923,413.83	836,427.24	102,340.85	86,986.59/ 9.42%
1977	942,221.34	888,688.11	148,645.11	53,533.23/ 5.68%
1978	934,551.99	929,768.95	68,919.97	4,783.04/ 0.51%
1979	995,453.51	960,306.02	30,873.62	35,147.49/ 3.53%
1980	1,102,687.36	1,016,368.88	18,138.65	86,318.48/ 7.83%
1981	1,530,142.07	1,267,358.97	82,799.63	262,783.11/ 17.17%
1982	1,870,645.22	1,481,163.28	70,453.79	389,481.94/ 20.82%
1983	2,013,552.20	-0-	-0-	(1/4/83) 586,621.47/ 29.13%

A-B÷C

approx.
2%approx.
15%

SPECIAL NOTE: These are not end of the year delinquencies. They are larger because they are based on what the City receives from the County and our last distribution is in November of each year.