

Approved March 5, 1986
Date

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Fred A. Kerr at
Chairperson

11:00 a.m./~~XXX~~ on Tuesday, March 4, 1986 in room 519-S of the Capitol.

All members were present ~~except~~ XXXXX.

Committee staff present:

Tom Severn, Research Department
Melinda Hanson, Research Department
Don Hayward, Revisor's Office
LaVonne Mumert, Secretary to the Committee

Conferees appearing before the committee:

Senator Phil Martin
Representative Sam Roper
William Leach, Cheyenne County
Senator Joe Warren
Representative Gayle Mollenkamp
Stan Clark, Oakley
Bill Lewis, Rawlins County
Bev Bradley, Kansas Association of Counties
Mildred J. Baughman, Reno County Commissioner
Nancy B. Hiebert, Douglas County Commissioner
Chip Wheelen, Kansas Legislative Policy Group
John Blythe, Farm Bureau
David Litwin, Kansas Chamber of Commerce and Industry
Harley Duncan, Department of Revenue
Terry Ferguson, Dickinson County Appraiser

S.B. 615 - Statewide reappraisal law repealed

S.B. 720 - Establishment of state-wide reappraisal cost sharing fund

Senator Phil Martin spoke in support of S.B. 615. He discussed the fairness issue. Senator Martin said there are properties that are state-assessed that are legislatively protected from market value. He stated that the reappraisal as ordered by S.B. 164 (1985) might accomplish some interclass equalization but will fail at equalization between counties. Senator Martin said counties are budgeting varying amounts for the reappraisal and that there is no way the process will be completed by all counties at the same time. He emphasized that the real expense to counties will be after the reappraisal process when they are required to keep the values current. He said that the end product after reappraisal is not going to be any better than the present situation. Answering a question from Chairman Kerr, Senator Martin said that either the Director of the Property Valuation Division should have the ability to totally run the reappraisal program or the counties should be given the total responsibility. Chairman Kerr asked Senator Martin's opinion of which way he feels it should be. Senator Martin said it is his opinion that county appraisers should be classified employees and that the state should totally fund and dictate the program. Senator Thiessen asked if Senator Martin is concerned that the courts would order reappraisal if S.B. 615 were passed. Senator Martin said he was not afraid of court-ordered reappraisal and there would be plenty of lead time to fulfill a court order.

Representative Sam Roper testified in favor of S.B. 615. He believes that reappraisal will bankrupt every county in the state and doesn't expect the classification resolution to pass.

William Leach expressed his concerns regarding funding and the reappraisal timetable (Attachment 1).

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m./~~p.m.~~ on March 4, 1986

Senator Joe Warren testified in support of S.B. 615. He mentioned concerns that the classification resolution will not pass. He said there is a problem with lack of uniformity and uncertainty about responsibilities and procedures.

Representative Gayle Mollenkamp spoke in favor of S.B. 615 (Attachment 2). He feels that reappraisal is too expensive and the resulting valuations for most types of property will be very similar to their current values.

Stan Clark testified in favor of S.B. 615 (Attachment 3). He mentioned various concerns: mapping procedures, appraisal of irrigated land and water rights, and farm buildings. Mr. Clark used pictures to illustrate questions of boundaries (Attachment 4).

Bill Lewis spoke in support of S.B. 615 (Attachment 5). He talked about the issue of cost and concerns about the authority given to the Director of PVD.

Written testimony in support of S.B. 615 from Phil Arnold, Clark County (Attachment 6); Ralph Unger, Decatur County (Attachment 7); and the Hoxie County Commission (Attachment 8) was distributed to Committee members.

Bev Bradley testified in opposition to S.B. 615 and in support of S.B. 720 (Attachment 9). She said that the member counties are committed to a fair and accurate reappraisal and suggested that the amount of reimbursement be 75%.

Mildred J. Baughman opposed S.B. 615 (Attachment 10). She talked about the inequities that exist within and between jurisdictions. She said the provision for maintaining valuations is essential so that the current inequities do not re-occur. She urged that every consideration be given to S.B. 720.

Nancy B. Hiebert spoke in opposition to S.B. 615 and in favor of S.B. 720 (Attachment 11). She discussed the importance of reappraisal and talked about the steps Douglas County has already taken in the reappraisal process. Ms. Hiebert said that this time and money would be wasted if S.B. 615 were passed. She feels that S.B. 720 is very important in the state-local partnership of the reappraisal process.

Chip Wheelen opposed S.B. 615 and favored S.B. 720 (Attachment 12). He said considerable time and expense would be wasted if S.B. 615 were passed. He suggested that the reimbursement percentage be raised to 75% and that the \$8 million per year limit be removed from the bill.

John Blythe opposed S.B. 615.

David Litwin testified in opposition to S.B. 615 and in favor of S.B. 720 (Attachment 13). He said that reappraisal is essential to fair property taxation and feels that the reappraisal statute was well-planned.

Harley Duncan testified against S.B. 615 and in favor of S.B. 720 (Attachment 14). Secretary Duncan described the inequities which exist in the property tax system. He mentioned the valuable input from the Reappraisal Advisory Committee. He recommended that S.B. 720 be amended to provide that the funds may be used by the state to purchase computer hardware and software on behalf of the counties.

Terry Ferguson spoke in opposition to S.B. 615 (Attachment 15).

The following testimony opposing S.B. 615 was distributed to Committee members: John W. Koepke, Kansas Association of School Boards (Attachment 16); Gerald W. Henderson, United School Administrators of Kansas (Attachment 17); Leroy Leland, Harper County Appraiser, Kansas County Appraisers Association (Attachment 18); and Nancy A. Downing, Saline County (Attachment 19).

Meeting adjourned.

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

| DATE | NAME | ADDRESS | REPRESENTING |
|--------|-------------------|------------------|---------------------------|
| 3/4/56 | DANA Ferris | Topoka | Budget |
| | JOHN Montgomery | Topoka | Gov. - Policy |
| | GEORGE DEWATER | PVO | PVO |
| | VIC MILLER | " | " |
| | H. Duncan | Dept of Reven | |
| | Mildred Baughman | Hutchinson | Peno Co. |
| | PHIL ARNOLD | ASHLAND KS | CLARK CO |
| | Ernie Bennon | Wolfe Kana | Shedden |
| | Kenneth Bracelin | St. Francis Ks | Cheyenne |
| | William W Leach | Burl City Kansas | Chapman |
| | Otto S Papp | Utica, Kan | New County |
| | Oliver Skupe | Ashland Ks | CLARK CO |
| | George Berryman | Ashland Ks 67831 | Clark Co. Vice |
| | Rich McKee | Topoka | K.L.A. |
| | John Blythe | Manhattan | K.F.B. |
| | TREVA POTTER | TOPEKA | NORTHERN NAT. GAS |
| | CHARLES BELT | WICHITA | CHAMBER OF COMMERCE |
| | Richard D. Kready | Topoka | KPL Gas Service |
| | Jim Murphy | Leavenworth | Gov. Office |
| | Beta Wilkin | Topoka | AAUP |
| | Gerard Anderson | Topoka | USA |
| | George Barber | Topoka | Ks Consulting Engne |
| | Millie Martini | Wichita | Sedg. Co. Comm |
| | John Karphe | Topoka | KASB |
| | Chip Wheelen | Topoka | Legis' Policy Group |
| | HAROLD PITTS | " | |
| | KAREN McCLAIN | " | Ks Assoc of REPTORS |
| | Mike German | " | Ks Railroad Ass'n |
| | JANET STUBBS | " | Home BUILDERS ASSN of Ks. |
| | Leroy Jan | Overland Park | B.L.E. |

ASSESSMENT AND TAXATION

OBSERVERS
(PLEASE PRINT)

| DATE | NAME | ADDRESS | REPRESENTING |
|--------|-----------------------------------|----------------------------------|-------------------------|
| 3/4/86 | KEITH FARRAR | Topeka | BOTA |
| | J DWIGANS | K. CITY | KCP L |
| | Fred Weaver | Topeka | BOTA |
| | Selma Island | Harper Co. Anthony ^{KS} | Appraiser |
| | Nancy A. Devening | Saline Co - Saline ^{KS} | Appraiser |
| | Braed Welch | LAKIN, KS. | Kearny Co. |
| | John A. Schowalter | Newton, KS. | Harvey Co. |
| | Shirley Mackender | Clay Center, Ks | Clay Co. Clerk. |
| | Marvin Diebold | clay center Ks. | clay co. Comm. |
| | Neck Meyerhoff | Clay Center, Ks | Clay Co. APPRAISER |
| | J MARK HIXON | GREAT BEND, KS | BRATON CO APPRAISER |
| | CHARLES H. CLARK | EUREKA, KS | ELK-GREENWOOD |
| | Heroy A. Newton | ABILENE KANSAS | Appr Office |
| | Terry W Ferguson | Dickinson County | Appraiser |
| | Wm Lewis | Atwood, Ks. | Tax payer |
| | Bad McCAN | Atwood, Ks. | TAX PAYER. |
| | Don Hewitt | Phillipsburg, Kan. | Co. County Commissioner |
| | Barbara Beine | Topeka | Dir of Records & Exp. |
| | Gaby McDonald | topeka | County Clerk / RAC. |
| | Harold Main | Topeka | Sm Co. |
| | Letha Mubkeny | WaKeeney | Troy Co. Clerk |
| | Lauren Metheny | WaKeeney | Troy County |
| | V. Eugene Smith | PARADISE | OSBORNE, Co |
| | Leonard Archer | Logan, KANSAS | COMMIT Phillips Co |
| | Heidi DeVore | Property Valuation Division | |
| | NANCY B. HIEBERT, Chem. Co. Comm. | Douglas County Lawrence KS | Dg Co. Commission |
| | Dorothy H. Shoup | | Osage Co. Commissioner |
| | BEV BRADLEY | LAWRENCE | KS Assoc of Counties |
| | Tom Simpson | Colby | Thomas Co. |
| | Harvey H. Voth | Oakley | Thomas & Logan Co. |

Shirley B. Bailey, County Clerk
Gladys M. Cook, County Treasurer
E. June Henderson, Register of Deeds
Scott R. Condray, County Attorney
Ray Lee, County Sheriff

CHEYENNE COUNTY

212 East Washington
St. Francis, Kansas 67756

Wm. W. Leach, Commissioner
Kenneth D. Bracelin, Commissioner
Raymond W. Zwegardt, Commissioner
Wayne Ritchey, County Engineer

Honorable Senator Kerr and Committee Members;

RE: Senate Bill #615

We Commissioners appreciate the opportunity to present to you people some of the concerns we have had for some time regarding funding and also the re-appraisal timetable that puts a hardship on the taxpayers in this economic stress time that goes without precedent in money amounts in the history of Kansas.

We are here not to blame, scold or point fingers. We are here because it might be a time to stop and then proceed in a different direction. We leave it to the minds of our good State government to figure out the avenues which might be the most opportune to take.

Let us assist you in whatever manner we can to make this easier for you in giving you our local concerns, there in turn making it of benefit to the people of Kansas.

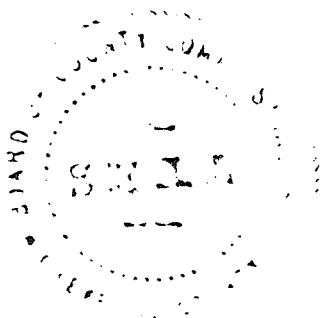
Keeping with the timetable of the Director of Property Valuation, the County will have spent at the end of 1987 \$193,590.00 This would require 7.8 mills of which 2 mills was raised in 1986, leaving a balance for the 1987 budget of nearly 6 mills for the taxpayer to pick up. This would be above the local tax burden which has been on the increase.

In conclusion we feel that 6 mills is too much to levy in one tax year.

We thank you for the time you have given us.

Kenneth D. Bracelin, Chairman
Raymond W. Zwegardt, Member
Wm. W. Leach, Member

Attachment 1
Senate Tax Comm. - 3/4/86



STATE OF KANSAS



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER ENERGY AND NATURAL RESOURCES
LOCAL GOVERNMENT
PENSIONS, INVESTMENTS AND
BENEFITS

GAYLE MOLLENKAMP
REPRESENTATIVE, 118TH DISTRICT
LOGAN, GOVE, TREGO, GRAHAM
AND PARTS OF NESS AND
ROOKS COUNTIES
HC2, BOX 5
RUSSELL SPRINGS, KANSAS 67755

March 3, 1986

TO: SENATE ASSESSMENT AND TAXATION COMMITTEE

RE: SENATE BILL 615

Thanks, Mr. Chairman and Members of the Committee. I am Rep. Gayle Mollenkamp. I support Senate Bill 615. When Senate Bill 164 was working its way through the legislature last session I could see real value in it. I could see use value applied to agriculture land which would allow agriculture land to be appraised on an equal basis with oil and gas and state assessed property. Having been a county commissioner for fifteen years prior to coming to the legislature, I viewed the change in the process of setting values.

In Logan County, we have used ASCS aerial photos, SCS soil classification maps, aerial photos of all rural buildings and improvements for a long time. I could see a representative group of farmers and ranchers appointed by the county commissioners to arrive at yield differential between different classes of soil and also grazing capacity and rates of pasture land which would lead to an in-house calculated appraisal on agriculture land. The appraiser would view and appraise other property in the county according to existing appraisal guide lines. The oil and gas and state assessed property would not change. I felt comfortable with SB 164. I voted for the bill.

I have attended most of the meetings held in Northwest Kansas last summer and fall concerning the P.V.D. and counties role in this process. The more meetings I attended the more I began to see the P.V.D. didn't view this as a simple in-house calculated reappraisal process.

I could see the department was going to throw out basically everything we had accomplished since 1965. From ASCS photos to legal land, descriptions, used since the original land survey and use computer codes on all records in the appraisers's office. The estimated cost has escalated from \$50 million to over \$100 million, quoted lately by the press, for appraisal.

Members of this committee, after attending the third meeting, I would have given anything for my vote back on SB 164. I was ashamed, embarrassed and very unhappy with what was being forced upon our county commissioners. It is estimated the cost of reappraisal in my home county will be 15 mills on the total valuation only to learn we have agriculture farm land appraisal very close now to what use value method will set it at.

Page 2 SB 615, Senate Assessment and Taxation Committee

Grassland is assessed higher now than under use value. State assessed property won't change much; residential property will increase slightly; manufacturing and industry will raise dramatically. These trends are also indicated in figures compiled by Barry Flenchbaugh of Kansas State and also Legislative Research Department. Spending 100 million dollars in a three year period, under the existing economic conditions of the counties and the state, is regrettable, unforgivable and plain foolish.

We need to stop this gross injustice before all the people of Kansas lose confidence in the P.V.D. and the State Legislature. I urge you to pass out SB 615 favorable for passage.

Thanks for allowing me to testify before your Committee. I stand for questions.

Representative Gayle Mollenkamp

Support Senate Bill 615 and

I AM HERE TODAY TO ASK YOU TO REPEAL SENATE BILL 164 TO GO BACK AND PUT THE RESPONSIBILITY OF ESTABLISHING THE GUIDELINES AND TIME TABLES ON YOUR SHOULDERS--SENATE BILL 164 STATES..... PURSUANT TO GUIDELINES AND TIMETABLES PRESCRIBED BY THE DIRECTOR OF PROPERTY VALUATION. IT IS MY UNDERSTANDING THAT THE LEGISLATIVE BRANCH IS ESTABLISHED TO MAKE THE LAWS AND THE EXECUTIVE BRANCH TO CARRY OUT THE LAWS. PLEASE GO BACK AND DECIDE ITEM BY ITEM WHAT YOU WANT IN GAINING STATEWIDE FAIR AND EQUAL PROPERTY VALUATION.

CURRENTLY WE HAVE TWO METHODS OF VALUATION--USE VALUE AND MARKET VALUE--WITH A THIRD BEING VOTED ON IN NOVEMBER--THAT BEING CLASSIFICATION. I AM ASKING YOU TO TAKE ON THE RESPONSIBILITY OF TELLING THE COUNTIES HOW YOU WANT THE PROPERTY VALUATED. USE VALUE IS CURRENTLY BEING USED WITH ELECTRIC UTILITIES BECAUSE THE KANSAS CORPORATION COMMISSION IS ONLY ALLOWING CERTAIN PERCENTAGES OF THEIR PLANTS INTO RATE BASE. WHY SHOULDN'T THIS APPLY TO BUSINESSES THAT ARE OPERATING AT ONLY A FRACTION OF TOTAL CAPACITY.

MARKET VALUE BEING THE STANDARD OF TAXATION IS STILL OF VALUE BUT OUR UNIT OF DETERMINING VALUE HAS BECOME COMPLETELY POLITICAL. IN 1967 (THE LAST REAPPRAISAL) A BUSHEL OF WHEAT SOLD FOR \$1.25 AND A GOOD QUARTER OF DRYLAND GROUND BROUGHT \$125 TO \$135 PER ACRE. TODAY A BUSHEL OF WHEAT SELLS FOR \$2.80 AND A GOOD QUARTER OF DRYLAND GROUND SELLS FOR \$300 AN ACRE. ONE HUNDRED BUSHELS OF WHEAT BUYS AN ACRE OF GROUND IN EITHER YEAR, JUST THE VALUE OF THE DOLLAR HAS CHANGED.

I HAVE SOME CONCERNS WITH THE MAPPING IN DETERMINING BOUNDARIES FOR TAXING PURPOSES.IT WILL BE INTERESTING TO SEE HOW THEY DEAL WITH ERRORS IN THE ORIGINAL SURVEYS. IN THE REGISTER OF DEEDS OFFICE ARE BOOKS OF PRIVATE SURVEYS THAT "CORRECT" PAST ERRORS IN MEASUREMENTS AND IT ALSO WILL BE INTERESTING WHEN THEY COME TO SITUATIONS WHERE THE FENCEROW WAS BUILT WRONG AND STRAYS OFF OVER 50 YARDS BUT THE COURT SAYS THAT WHEN THEY HAVE BEEN IN PLACE MORE THAN 15 YEARS THEY WILL REMAIN--IF YOUR NEIGHBOR GETS THIS BENEFIT

AND BREAKS OUT THE SOD, AM I TO PAY TAXES ON HIS CULTIVATED ACRES WHEN I DON'T GET ANY PART OF THE CROPS? I THINK THE STATE IS OPENING A PANDORA'S BOX, CREATING CONFLICT BETWEEN NEIGHBORS BOTH IN THE COUNTRY AND IN TOWN--IF IT ISN'T BROKE--DON'T FIX IT.

WHY REMAP THE SOILS CLASSES ON THE NEW MAPS WHEN THE STATE SAYS THAT THE "MASTER MAPS" INFORMATION IS INACCURATE? WITH IMPROVED MANAGEMENT TECHNIQUES AND USING FERTILIZERS WE HAVE INCREASED THE SOIL FERTILITY TO AN EXTENT THAT SOIL CLASSIFICATION IS NOT AS IMPORTANT AS IT ONCE WAS.

TEN DAYS AGO THE PROPERTY VALUATION DEPARTMENT WAS IN COLBY TO DISCUSS APPRAISING IRRIGATION LAND. THERE IS A PROBLEM--FARM MACHINERY INCLUDING IRRIGATION EQUIPMENT IS EXEMPT FROM TAXATION--TAKE AS AN EXAMPLE 2 QUARTERS OF LAND--ONE WAS LEVELED AND IS WATERED BY DITCH IRRIGATION AND ANOTHER QUARTER IS WATERED BY A SELF-PROPELLED SPRINKLER--BECAUSE OF THE UNEVENNESS OF THE LAND THE SECOND QUARTER IS APPRAISED LESS BUT THE PRODUCTIVITY IS THE SAME. IN THEORY THE LEVEL LAND SHOULD BE TAXED THE SAME AS THE UNEVEN QUARTER INCLUDING THE PROPERTY TAX ON THE SPRINKLER, BUT THERE IS NO TAX ON THE SPRINKLER. YOU AS OUR REPRESENTATIVES SHOULD ADDRESS THIS QUESTION INSTEAD OF DELEGATING IT AS YOU HAVE DONE.

IS THE ANSWER TAXING WATER RIGHTS? ARE YOU THEN GOING TO MAP WATER RIGHTS? WHAT HAPPENS WHEN THE IRRIGATOR MAKES A MANAGEMENT DECISION NOT TO WATER HIS LAND BECAUSE OF ECONOMIC REALITY? WHAT CRITERIA THEN DETERMINES DRYLAND FROM IRRIGATED LAND TAXATION? IF YOU DECIDE TO TAX WATER RIGHTS AND THE WATER RIGHT HOLDER DECIDES TO SELL OR ABANDON HIS RIGHTS--CAN HE LEGALLY SELL THE RIGHTS WHICH INCLUDE WATER UNDER HIS NEIGHBORS LAND TO SAY A CITY WHO NEEDS MORE WATER FOR DOMESTIC AND INDUSTRIAL USE? TODAY I CAN BUY LAND WITH THE MINERAL RIGHTS SEVERED--IS THE STATE OF KANSAS WANTING TO GET FURTHER INTO THIS WATER RIGHT QUESTION?

WHAT IS GOING TO BE DONE WITH FARM BUILDINGS? TO ME A FARM ISN'T A FARM UNLESS IT HAS A BARN AND A CHICKEN HOUSE, BUT THESE BUILDINGS ARE OBSOLETE AS FAR AS USEVALUE BUT THEY HAVE AN INTANGIBLE ESTHETIC VALUE.

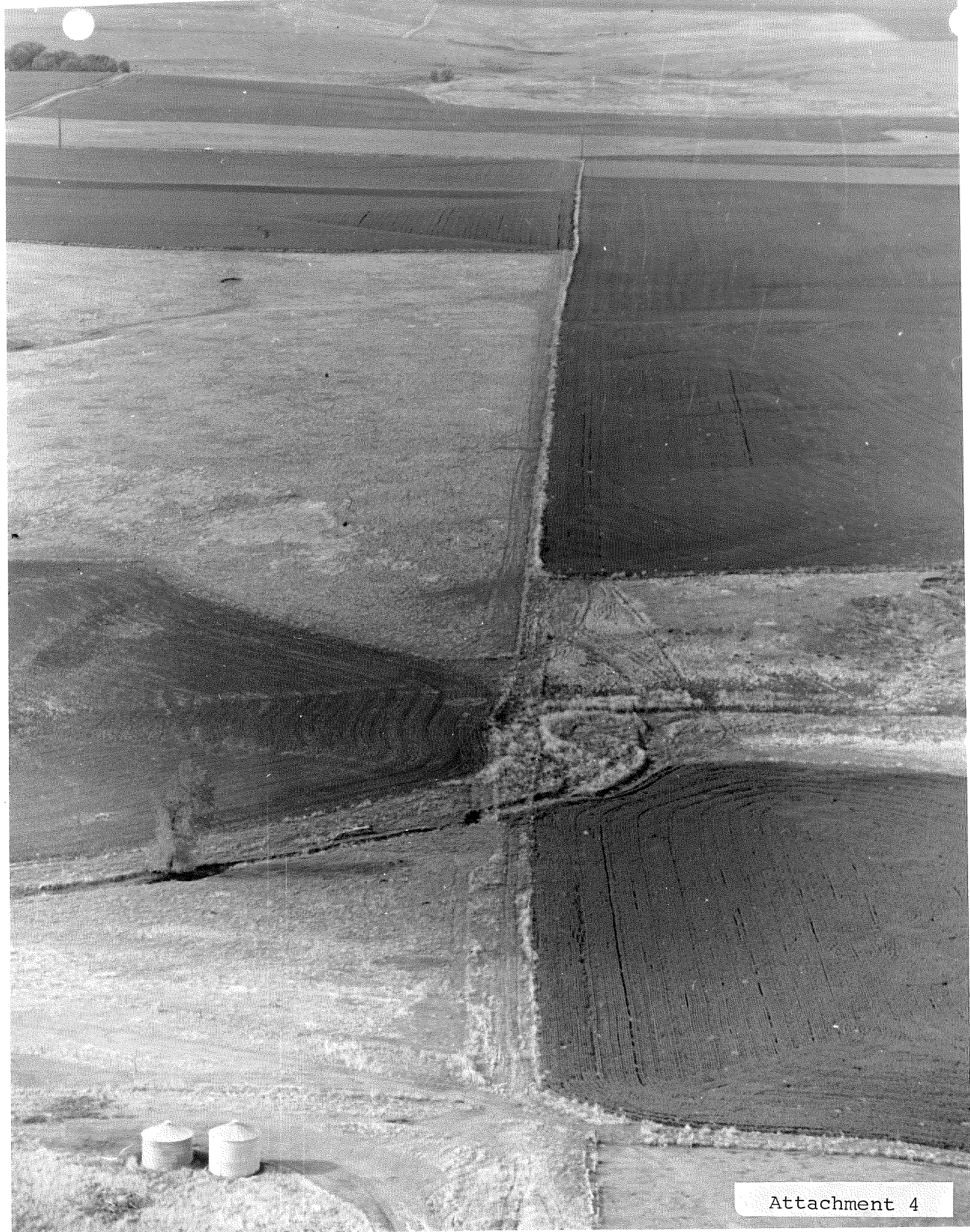
EACH YEAR YOU SEEM TO NARROW THE TAX BASE--EXEMPTING MORE AND MORE PROPERTY--WHY NOT BROADEN THE BASE? REQUIRING EVERYONE TO PAY HIS FAIR SHARE AND ALSO LOOK INTO RAISING LICENSE FEES AND TAXING ACADEMIC DEGREES. EDUCATION SEEMS TO BE THE SACRED COW IN THE LEGISLATIVE BODIES--IF TWO-THIRDS OF ALL PROPERTY TAX GOES FOR EDUCATION WHY NOT TAX THOSE THAT RECEIVE THE BENEFITS? AN ATTORNEY'S LIVELYHOOD IS IN APPLYING HIS SPECIAL TRAINING TO MEET THE NEEDS OF HIS CLIENTS BUT HE HAS VERY LITTLE TANGIBLE PROPERTY IN HIS PRACTICE TO TAX. A MEDICAL DOCTOR HAS MOST OF HIS SPECIALIZED EQUIPMENT PROVIDED IN A COUNTY SUPPORTED HOSPITAL. I ENCOURAGE YOU TO LOOK INTO ^{those} AVENUES TO EXPAND THE SOURCES OF REVENUES. IF YOU DID THAT MAYBE JUST US DUMB FARMERS WOULD REMAIN HERE.

OUR COUNTY COMMISSIONERS DON'T KNOW WHAT TO DO. THE PROPERTY VALUATION DEPARTMENT HAS CREATED A NETWORK OF SMALL COMPLICATED RULES, MINUTE AND UNIFORM TO WHERE THE COMMISSIONERS ARE CONTROLLED BY A DEPARTMENT THAT ACTS AS A DICTATORSHIP AND THE COMMISSIONERS CANNOT CARRY OUT THE WISHES OF THE PEOPLE THAT ELECTED THEM TO SERVE.

IN MY COUNTY WE ARE LOOKING AT 13 MILLS AS THE CURRENT UNFUNDED SHARE TO PAY FOR REAPPRAISEL--IT APPEARS TO ME THAT UNLESS YOU REPEAL SENATE BILL 164 THAT WE ARE GOING TO GET A ROLLS ROYCE REAPPRAISAL WHEN THE MATERIALS ARE ALREADY AVAILABLE FOR A CADILLAC REAPPRAISEL AND THE PEOPLE CAN'T AFFORD A CHEVY!

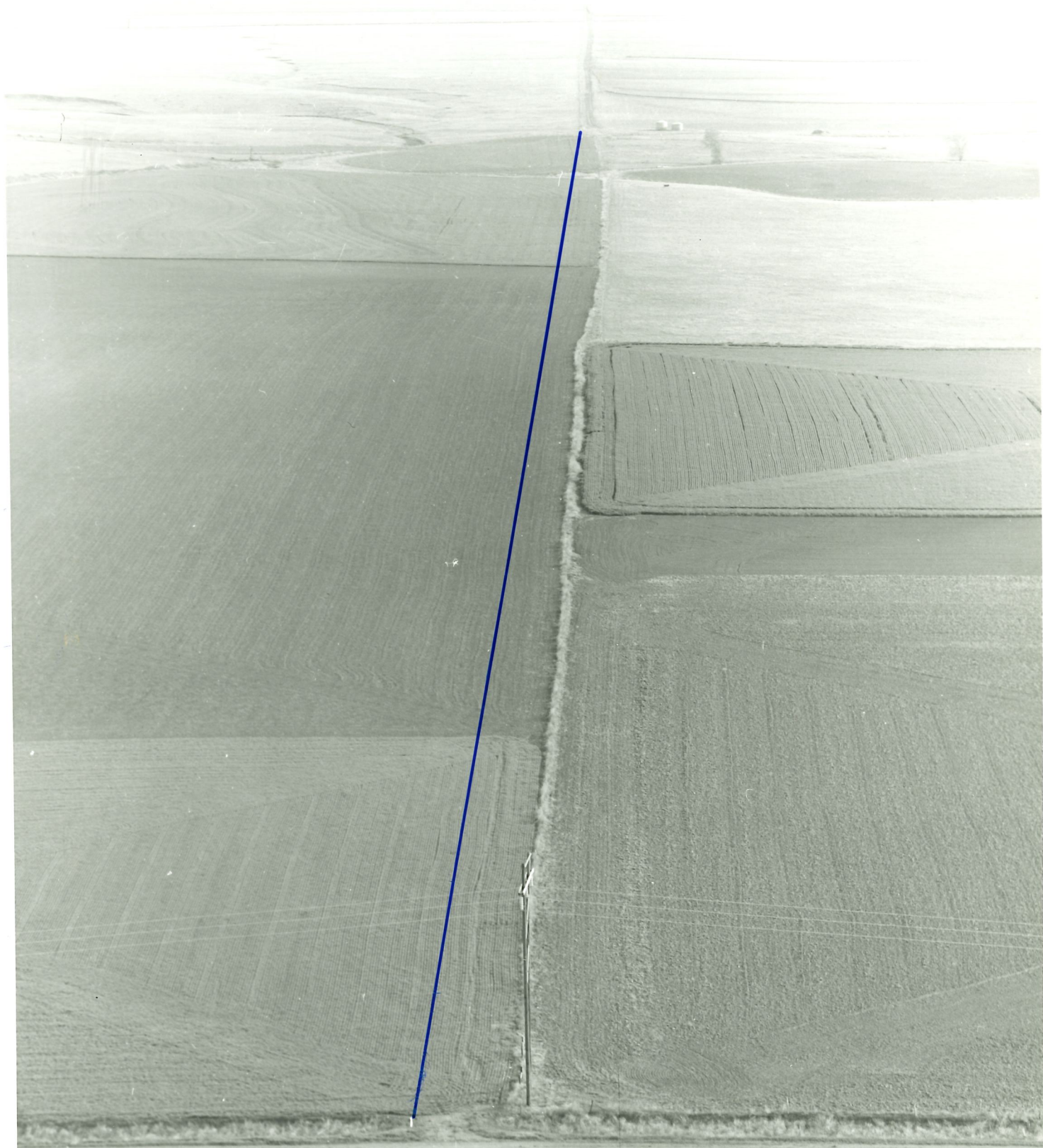
PLEASE TAKE THIS RESPONSIBILITY, REASSESS THE SITUATION AND SYSTEMATICALLY DECIDE EXACTLY WHAT YOU WANT TO ACCOMPLISH IN REVALUING THE PROPERTY IN THE STATE OF KANSAS.

Stam Clark
Rt 2 Box 112
Oakley Ks 67748
913-672-4280









TO: SENATE ASSESSMENT AND TAXATION COMMITTEE

RE: SENATE BILL 615

Thank you Mr. Chairman and members of the committee. I am Bill Lewis from Atwood, Kansas. I support Senate Bill 615. County Commissioners and taxpayers in Northwest Kansas are concerned with the direction which Senate Bill 164 is headed.

The first concern is cost. It is hard for us to understand the need for aerial photos when ASCS offices in each county have photos which millions of dollars are paid out. Furthermore, what legal implications will taxation based on aerial photos have? Each court house has registered the number of acres each person is suppose to own.

Will taxes be based on what you farm or on what you are suppose to own? Will it become necessary for a mandated State Survey?

Another concern is the amount of power which the Director of Taxation is given. Would any of you give another legislator the same amount of power? The Director is being allowed to decide and make regulations concerning differences in land values. For example, is there a difference in land being circle irrigated or ditch irrigated? What happens if land

is not irrigated for a year? These questions are not being answered by elected officials according to Senate Bill 164. Rather, this power is being given to one individual to do as he sees fit.

In conclusion it appears that Senate Bill 164 should be killed. Please pass Senate Bill 615. Legislators must be more specific in their intentions concerning reappraisal.

Thank you again for your time.

Sincerely,

Bill Lewis

STATE OF KANSAS
Senate Assessment & Taxation Committee
Senator Fred Kerr, Chairman
Testimony by Phil Arnold
Clark County Commissioner
Ashland, KS 67831
4 March 1986

SB 615 (Repeal of Reappraisal)

Four months ago when I started expressing my concern about the reappraisal costs, I was a political neophyte. The costs and procedures appeared to far exceed the legitimate needs for reappraisal in rural counties like my home Clark County, which with 2600 population, has 954 sections of which 1/3 are full section parcels, another 1/3 have nothing smaller than full quarters, 2500 real estate parcels, 3000 oil & gas parcels and about 1500 residential parcels.

My statement presented at the Kansas Officials Council meeting in Wichita, which is attached, (Exhibit A), requested flexibility and reason from the PVD, and received favorable agreement from commissioners from over 50 counties. In the months since, there has been no indication from the PVD that there will be any easing from the original guidelines of a Cadillac version of reappraisal for ALL Kansas counties. Estimates of from \$30 to \$75 per parcel for the estimated 1.6 million parcels puts the total cost-- too excessive! Our county appraisers, clerks and others have already spent nearly 3 months of man days in school. Across the 105 counties this amounts to \$100's of thousands which is not figured into the reappraisal costs. However, money seems to be NO consideration to the PVD. I wonder if reappraisal could have been structured any more expensively?

The mapping contracts are being let and costs are running over \$100,000 per county in rural Kansas. Many counties including Clark are being forced to contract the work because of the complicated specifications imposed. Of the items PVD uses as justification for mapping, listed on attached Exhibit B, 7 are already present in the courthouse, 2 are mapping for mapping's sake and the last is questionable. The justification of mapping to allow the combination of ownership and soil types for use-value computation is valid but there are enough other factors included that use-value could easily do without soil classifications.

The problems generated by the exact measurements of parcels and the resulting exact taxable descriptions in relation to historical legal descriptions, pose future questions in chain of title for real property. If these new exact descriptions replace or become mixed with descriptions on legal documents, court actions and/or survey disputes will become commonplace.

My major concerns relate to the continuing erosion of the Ad Valorem tax base. The Legislature, over long years has seen fit to exempt personal household property, inventories, aircraft, farm machinery, major portions of utility valuation by way of income-valuation formulae, and related formulae on oil & gas properties. 15 years of neglect, limitations to prevent updating and inflation leave only a small fraction of the total real & personal property on the tax rolls. For instance, if residential property is assessed at 12% of FMV, this in actual figures means 88% is exempt from taxation and then only if the FMV is close. It may also be adjusted back to 1970 values.

Finally the Classification amendment puts another unknown factor into the pie. Maybe Ag land will be appraised under use-value and 2 more chunks of property will be exempted. It is clear that the classification amendment is designed to prevent major shifts in tax liability by attempting to lock valuations in at the levels presently occupied. It makes no sense to me to spend \$100 million to reappraise all property and at the same time admit that you don't want to change things.

I believe that if the aim is simply to clean up the inequities within classes of property, there is no need to spend this kind of time and money on a new complicated set of maps, records, and computer hardware and software. County officials have the records and expertise in most cases to do an adequate job if allowed to function and given reasonable guidelines.

If reappraisal continues as it is proposed now, when it is completed, the mechanics will be in place and the information available to transfer all taxing authority to Topeka and there will be little need for anybody other than a Sheriff, Register of Deeds and road gangs at the local courthouses. And the taxpayers will be left with the tremendous costs. I need not call your attention to the economic condition of Agriculture--foreclosures, bank closings, related business failings. Rural and Commercial properties are the segments which will pick up most of the slack and much of the added expenses of reappraisal. To dump this kind of expenses on Kansas taxpayers is unforgivable. Regardless of whether reappraisal is financed from local levies or State revenues, it still comes from the taxpayers. Sales Tax may be less painful but the waste is no less real.

This last 4 months, I have become well acquainted with many legislators and PVD officials. I have been made aware of the political fact-of-life that it is probably impossible to rebuild the ad valorem base to any semblance of reasonable structure.

Therefore I believe, rather than continue to throw time and money at reappraisal, you should look to alternative methods of funding local government. If we have to equalize valuations, let's do it as inexpensively and simply as possible. Then put major efforts to finding equitable programs to replace the Ad Valorem base and scrap the poor riddled monster.

If alternate funding such as sales tax or income tax is developed without imaginative methods for local collection, again Topeka will probably take over. The loss of County Government will be traced back to the legislated erosion of the Ad Valorem Tax Base in Kansas.

Without it----Local Government will perish.

I urge the passage of Senate Bill 615.

Exhibit A

KOC

19 November 1985

As an official of a rural county and a taxpayer and citizen, I have grave concerns regarding the complicated and expensive reappraisal demands being placed upon us by the Department of Revenue and our legislature.

It seems that everytime the legislature or administrative departments pass blanket mandatory requirements, be it personal vehicle liability insurance, Doctor's malpractice, safety guidelines or DOT specs, to name just a few, the costs rapidly escalate out of reason. We are again seeing this happen with, I believe, the unnecessary, unreasonable and excessively complicated requirements for mapping and reappraisal.

If I understand, we will be using the Soil Classifications plotted by the Soil Conservation Service as a basis of the Use-Value method for rural appraisal. This information is now or will be available shortly in all our counties. But it is now being stated that the aerial maps from which this information was developed are not accurate enough for appraisal.

I have yet to be convinced that the available aerial maps are so bad that the proposed new state wide aerial photographing is not a gross waste of tax dollars. How do you take information from the "inaccurate maps--Soil Survey information--" spread it across the new computer enhanced maps being proposed, and have anything better than the original data?

Compare this to spreading rancid butter on fresh bread. The butter does not suddenly become sweet and acceptable.

There may be reason to have new maps for urban areas, but for much rural real estate, why should we be required to develop a whole new complicated system, costing hundreds of thousands of dollars state wide.

The rural economy, as we all know, is experiencing grave problems and to force this kind of unnecessary expenditures on us could well be the burden which triggers a major taxpayer revolt and wholesale purging of elected officials across these counties and state which we serve.

WHY WE ARE PREPARING PROPERTY OWNERSHIP MAPS

Quite simply, we are preparing new property ownership maps because none now exist in 95% of the counties in this state. Many of the maps, plats and photo maps that you are familiar with simply are not property ownership maps, and they were never intended to be.

The International Association of Assessing Officers, who define many of the standards and procedures used in the assessment profession, define a property ownership map as follows:

"It's a graphic representation on a flat surface of a portion of the Earth's surface, containing graphic descriptions of parcels of land indicating their relative size and position in relation to other properties, rivers, creeks, roads, and major geographic features. It is drawn to scale and delineates dimensions and/or areas together with identifying numbers."

It must be clearly understood that the property ownership map is only one component of the county appraiser's valuation system. The property ownership map system must be designed, constructed and maintained to render full support to all the activities of the county appraiser.

In order to gain maximum benefit from the property ownership map system that we are implementing, it is essential that it provide the following:

1. Locate ALL parcels; not just some large ownerships or platted lots, but all parcels.
2. Identify the legal owner.
3. Delineate ownership boundaries.
4. Provide unique identification numbers for parcels.
5. Inventory all properties.
6. Provide administrative data, i.e. acreages, district boundaries, exempt property, names, land values, new sales, neighborhood boundaries, etc.
7. Provide a statewide, uniform, graphic format appropriate for assessment uses, i.e. symbols, lines, and annotations that mean something to appraisers.
8. Provide for convenient updating and correction.
9. Provide for easy reproduction.
10. Greatly reduce the other costs of reappraisal.

I hope the above outlined information has helped you gain a better insight into exactly what a property ownership map is and how critical an element of the county appraiser's valuation system it will become.

If a county has an existing mapping system that will do all of the above, we would be most happy to review it and allow its use in the Kansas Reappraisal Program.

County of Decatur

DON KUMP
JACK NOONE
RALPH D. UNGER
COMMISSIONERS

CHARLOTTE WALINDER
COUNTY CLERK

MILDRED WALDO
COUNTY TREASURER

TERRY ROGERS
COUNTY ATTORNEY

MARCIA TACHA
CLERK OF THE DISTRICT COURT



PATRICIA M. WHETZEL
REGISTER OF DEEDS

JOHN E. BREMER
MAGISTRATE JUDGE

KEN BADSKY
COUNTY SHERIFF

JIM BAXENDALE
COUNTY ENGINEER

HAROLD L. MACHART
COUNTY WEED SUPERVISOR

VICKI K. LIGNITZ
COUNTY APPRAISER

Oberlin, Kansas 67749

Honorable Chairman Kerr, Vice-Chairman Thiesen, Committee members,
fellow concerned citizens of the State of Kansas:

Re: Support of SB 615

We the Commissioners of Decatur County agree that a reappraisal of property is probably necessary. We have, however, concerns in regard to the reappraisal mandated by the 1985 legislative session.

Our primary concern is the tremendous and unacceptable cost of the "Rolls Royce" system which has been outlined by the Property Valuation Department, whether it be financed by the counties' tax dollars or both the counties' and the State's tax dollars. Either way, the Kansas taxpayers pay the bill.

In January 1986, Decatur County projected the following anticipated annual expenditures during reappraisal: 1986, \$153,075; 1987, \$73,966; 1988, \$37,514; The total \$264,555. Since January in discussion with vendors of enlargement, mapping, and appraisal services, it appears that \$326,240 would be more likely required to complete appraisal.

Due to insufficient information at budget time, we budgeted \$50,000 for the first year startup costs of reappraisal. This now appears to be less than a third of the amount needed for Decatur County to meet the first year requirements. No fund warrants could be used to finance the difference, but no fund warrants are not an acceptable option to Decatur County. Reappraisal is a planned occurrence and not an emergency. If it were to be considered an emergency it should be called a fiscal disaster, created by man, not an act of God.

Page 2

The Decatur County service area has experienced the collapse of four of seven banks serving the community in the past eighteen months. We see daily the aftermath of stress following these failures. Published statements of condition indicate that many more banks in Kansas may be edging to the brink of collapse in the foreseeable future. This occurrence would even intensify the financial stress of the taxpayers throughout Kansas.

Several options have been raised in discussions in the last several months which may be able to reduce some of the costs involved in reappraisal. Included are the following:

1. Could ASCS-SCS maps be used on rural non-platted areas of the counties and save possible millions of dollars?
2. Will the new cadastral maps really correct the boundary errors made during the surveys in the past 100 + years?
3. If so, how many boundary disputes and litigations will be involved before they are accepted?
4. Will the use of a "County" tax map system and an "ASCS" government farm program system stimulate additional court battles in the situations where acreages and boundaries differ on the same legal descriptions?
5. Many Kansans are now experiencing the most adverse economic conditions in the last fifty years. Can we the taxpayers of this state now afford the added burden of this "Rolls Royce" appraisal version on top of the already strained budgets of the local, State, and Federal governments?

In our opinion, No, we can not. Therefore we must ask for the passage of Senate Bill 615 and to consider a more affordable approach to reappraisal.

Thank you very much for your considerations.

Decatur County Commissioners.

JOE C. HAFFNER
FIRST DISTRICT
FRED BIXENMAN
SECOND DISTRICT
FRANCIS MEIER
THIRD DISTRICT

COUNTY OF SHERIDAN
BOARD OF COUNTY COMMISSIONERS
HOXIE, KANSAS 67740

March 3, 1986

To Whom It May Concern:

We, the Board of Sheridan County Commissioners are opposing reappraisal at this time because of the economic conditions. The counties cannot afford the cost of reappraisal and the state has not made a commitment as to what portion of the cost they will pay. Secondly, all guide lines should have been decided in time in order that county commissioners could have included the cost in the budget before putting the reappraisal law in effect.

Therefore, we are supporting Senate Bill 615 introduced by Phil Martin and others.

Sincerely



Fred Bixenman, Chairman



Francis Meier, Commissioner



Joe C. Haffner, Commissioner

Kansas Association of Counties

Serving Kansas Counties

Suite D, 112 West Seventh Street, Topeka, Kansas 66603

Phone 913 233-2271

March 4, 1986

To: Senator Fred Kerr, Chairman
Members Senate Assessment And Taxation Committee

From: Beverly Bradley, Legislative Coordinator,
Kansas Association of Counties

Re: SB-615 - SB-720

Good morning, I am Bev Bradley, Legislative Coordinator, Kansas Association of Counties. Thank you for the opportunity of appearing today in opposition to SB-615 and in support of SB-720.

The voting delegates at our state conference last November placed property taxation and reappraisal high in our priorities for our legislative policy. Point 2(a) says

"We pledge a dedicated and cooperative effort to bring the statewide reappraisal to a fair and accurate conclusion and request that the state finance seventy-five percent (75%) of the cost."

I am pleased to serve on the reappraisal advisory committee which was established by last year's SB-164. I believe the committee serves an appropriate, legitimate function. It serves as a sounding board not only for the committee members representing county officers but for the many, last week 110, dedicated followers, we have.

One person involved at the state level tells me that he believes our local government "committee concept" to be the best arrangement he has seen in the several states in which he has worked with reappraisal.

Reappraisal is moving forward and with patience and endurance, persistence and perseverance we will meet the required time constraints.

Counties have requested, early on, and still believe in 75% state reimbursement. We consider that to be a fair and reasonable amount for the state mandated program. As SB-720 is written it appears the intent is for approximately 50% reimbursement to counties. I believe the 50 million estimated cost of reappraisal is low, thus the \$24,000,000. does not even meet the 50% mark. However we are grateful that this legislation, SB-720 is being offered and would only ask that the total amount as well as the annual amount be increased.

Thank you very much. I appreciate your time and I would stand for questions if that is appropriate.

Attachment 9
Senate Tax Comm. - 3/4/86

March 3, 1986

To the Members of the Senate Assessment and Taxation Committee

The last reappraisal of Kansas real property took place during the 1960's (in a haphazard, slap-dash fashion in some jurisdictions). Property values have changed, but valuations for tax purposes have not changed. Very similar properties are often assessed at very different levels within a jurisdiction, with even greater differences across various jurisdictions.

In 1985, the Kansas legislature mandated a statewide property reappraisal, setting out very comprehensive provisions to assure equity statewide.

KSA 79-1476, et seq. further provides that counties maintain the property values in accordance with the law after the reappraisal goes into effect. This provision was not made in the reappraisal law of the 1960's, allowing the present day inequities to evolve.

With the present economic situation in the State, it becomes increasingly important that reappraisal be accomplished NOW to assure each and every taxpayer that he is paying only his fair share.

If the present law is repealed, there is no question in my mind that the courts will soon be ordering reappraisal at their discretion.

Many counties have already entered into contracts---obligating a great deal of money---in order to meet the requirements of KSA 79-1476, et seq. While this money will not be wasted, it is money that would not have been used in this manner if the law had not been passed. (Reno County has contracted for mapping services in the amount of \$611,000.00).

I ask that this committee vote no on SB615. Reappraisal was needed yesterday, but we'll settle for NOW.

Sincerely,



Mildred J. Baughman
Reno County Commissioner

March 3, 1986

In the 1960's, the Legislature mandated a state-wide reappraisal. Many of the counties made a conscientious effort to meet the requirements of that law and were prepared to maintain valuations as prescribed thereafter. However, the legislature subsequently passed legislation that precluded the counties from updating valuations on a county-wide basis.

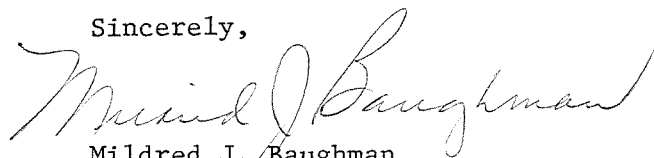
Pressure from self-interest groups and individuals resulted in procrastination by the legislature. The result has been greater inequities within and without jurisdictions.

I believe that the present reappraisal law is a very good comprehensive plan to provide an equitable valuation process state-wide and to provide maintenance of equitable valuations thereafter.

However, because it is comprehensive it will be costly. And because the State has been part of the problem of delay, I believe the State should share in a great part of the cost.

Our state-wide situation of a depressed economy makes the timing of the appraisal unfortunate. However, I think that very fact makes it doubly important that reappraisal take place, and that the State participate in its funding to the greatest extent possible.

Sincerely,

A handwritten signature in cursive script, reading "Mildred J. Baughman". The signature is written in dark ink and is positioned above the printed name and title.

Mildred J. Baughman
Reno County Commissioner

Douglas County

TO: Senate Assessment and Taxation Committee

FROM: Nancy B. Hiebert, Chairman, Douglas County Commission

DATE: March 4, 1986

RE: Senate Bills 615 and 720

Mr. Chairman, members of the Senate Assessment and Taxation Committee, my name is Nancy Hiebert and I appreciate the opportunity to appear before you today to comment on Senate Bills 615 and 720. For the record, I wish to be recorded as an opponent of SB 615 and a supporter of SB 720.

I am presently serving my second year as the Chairman of the Board of County Commissioners of Douglas County, Kansas. In addition, I served on the Kansas Tax Review Commission, which was created by the Governor in 1983 and chaired by Lieutenant Governor Docking, and which presented its final recommendations concerning the Kansas tax structure, including the property tax, in June of 1985. Therefore, I appear before you today having dealt with the question of reappraisal at both the state and local levels.

The 1985 Kansas legislature acted responsibly and fairly when it enacted Senate Bill 164, mandating a program of statewide reappraisal of property. The Kansas Tax Review Commission, among many other groups and individuals, made reappraisal its number one (1) property tax recommendation. Senate Bill 615 would repeal this landmark legislation and apparently stop the very important process of property reappraisal dead in its tracks. Both as a county commissioner and as a property taxpayer, I certainly view such a policy to be highly imprudent.

The unfairness inherent in our current property tax system has already been documented extensively. These problems have led to the generally shared expectation that the failure to reappraise by the executive and legislative branches of government will most certainly lead to court-ordered reappraisal; a prospect I believe no branch of government really desires. More importantly, reappraisal is the only way we can guarantee the fairness in our property tax system that our taxpayers expect and deserve.

As a county commissioner, I have spent countless hours with my fellow Douglas County commissioners and other Douglas county officials discussing and taking the costly, but necessary, first steps to undertake the reappraisal process you directed last year. Over the past few years in anticipation of reappraisal, we heeded the advice of state officials and began to set-aside a Special Reappraisal Fund which totaled \$99,000 by 1985. When we developed our FY 1986 budget last summer, we included a levy for reappraisal

purposes of approximately 3.5 mills, which in Douglas County generates \$724,500, to pay part of the cost of this important but expensive process. We have authorized our county appraiser to hire a reappraisal coordinator who is currently assembling a core staff to direct and oversee this important process. We also have made important decisions about the enlargement of orthophotographs for reappraisal mapping purposes, the actual mapping process itself, and other details involved with the reappraisal process. If you decide to discontinue the county-based reappraisal effort which is already well underway in Douglas and other counties, how do my fellow commissioners and I or our local legislative delegation explain this expensive mid-course correction to the taxpayers of Douglas County? This is particularly troublesome since most taxpayers are aware of the tremendous inequities in the current system. Rather than call a halt to these activities, I respectfully suggest you consider ways in which the state might provide assistance to those counties which are still struggling with the reappraisal challenge.

At the time of the passage of 1985 Senate Bill 164, I believe the legislature made a commitment to help counties (and the local property taxpayer) pay part of the costs of this expensive, but essential, undertaking. You will recall that the opening statement contained in K.S.A. 1985 Supp. 79-1478 is as follows: "The state shall assume a portion of the costs incurred by any county in complying with the provisions of this act." Senate Bill 720 is an important part of keeping that commitment. Similar to the recommendation contained in the Governor's Legislative Message, this critical legislation authorizes the set-aside of \$24 million during fiscal year 1987 which would be distributed to counties over the next three years in accordance with the commitment in K.S.A. 1985 Supp. 79-1478.

Senate Bill 720 is an essential ingredient in accomplishing the property reappraisal agenda adopted by the 1985 legislature. While it in no way provides for state funding at the 75% level requested by the Kansas Association of Counties, it is a sizeable investment by the state in a program in which counties have already invested substantial funds. When combined with the state's assistance in terms of aerial photography and technical assistance, it represents a significant contribution and helps cement the all important state-local partnership in this reappraisal process.

In closing I want to thank you for your attention and consideration of these views. I assure you that the local governments which depend so fundamentally upon the property tax as their prime source of revenue hope to achieve the goals of the 1985 reappraisal legislation. With your important assistance and unswerving support over the next four years, we can do just that.



KANSAS DEPARTMENT OF REVENUE

February 19, 1986

Mr. Don Gordon
Douglas County Appraiser
Douglas County Courthouse
Lawrence, Kansas 66044

Dear Mr. Gordon:

Thank you for submitting the Douglas County Reappraisal Plan for review. From the quality of your presentation, it is evident that considerable forethought, time, and effort have been dedicated to this essential phase of the project. Overall the plan appears comprehensive, reasonable and capable of meeting the legislated deadline if followed expeditiously and methodically. Given that this plan is only a guideline, it will be necessary for you to prepare and implement a set of procedures to monitor reappraisal activities on a daily basis in order to keep your project on schedule.

Please keep in mind that this plan represents your best perception of the future. Phases, staffing and production will undoubtedly shift slightly, and actual quarterly expenditures will seldom match your budget estimates. Upon completion of each quarter, you will be asked to submit a report of your actual, itemized costs and provide explanations for significant variations from your original budget. This procedure will also provide you with the opportunity to amend any portion of the original plan if a modification is anticipated. If any page of your original plan requires an edit, it should be retyped with the revision date noted in the upper right corner and returned to our office along with the quarterly report form. A more detailed explanation of the quarterly reporting procedure will be forthcoming from the Property Valuation Division.

Please direct any questions about your county reappraisal plan to Pete Davis or George Donatello. Again, thank you for your cooperation and best wishes for a successful and progressive 1986.

Sincerely,

A handwritten signature in cursive script that reads "Victor W. Miller".

Victor W. Miller, Director
Division of Property Valuation

VWM:sah

cc: George Donatello
Pete Davis



Kansas Legislative Policy Group

301 Capitol Tower, 400 West Eighth, Topeka, Kansas 66603, 913-233-2227

TIMOTHY N. HAGEMANN, Executive Director

March 4, 1986

TESTIMONY
to
SENATE COMMITTEE
on
ASSESSMENT and TAXATION

Senate Bills 615 and 720

Mr Chairman and members of the Committee, I am Chip Wheelen of Pete McGill and Associates. We represent the Kansas Legislative Policy Group which is an organization of county commissioners from primarily rural areas of the State. We appear today in opposition to SB 615 and in support of SB 720.

As you may recall, for the past few years we conditionally supported enactment of the reappraisal law. We acknowledge the need to correct intraclass inequities in the taxation of real property but argued that the voters should be offered an opportunity to vote on a classification proposition that would moderate interclass redistributions of property tax burdens.

Although we do not endorse constitutional property tax exemptions, we believe the Legislature made its best effort to adopt an acceptable classification resolution. Therefore, we maintain our position and hope that the people of Kansas will understand the question when they cast their votes next November.

We also oppose SB 615 for practical reasons. The reappraisal law authorizes counties to establish special reappraisal funds and levy taxes which are exempt from the normal limitations. We are informed that many counties have already exercised this authority and have made some expenditures. Repeal of that authority would be a serious administrative

problem and would certainly raise legal questions. In addition, county officials have already devoted a considerable amount of time to the planning effort and have solicited bids for contractual services. Some counties may have already entered into contractual agreements.

Last, we oppose Senate Bill 615 for a hypothetical reason. If the reappraisal statute were repealed, then it would be a simple question of time until we would be confronted with a court ordered reappraisal.

Given the choice, we prefer statutory reappraisal which provides for an advisory committee to offer local input, authorizes mill levies and expenditures that are not subject to limitations, and provides that the "state shall assume a portion of the costs".

In regard to costs, the KLPG Board of Directors has adopted a motion to request 75 percent state funding of reappraisal. It is our understanding that SB 720 represents 50 percent of the estimated total cost of reappraisal.

We support the concept of SB 720 although we would prefer that the State assume a greater share of the total. While this may seem overly demanding, we believe our reason for making such a request is justified. Because mineral properties are appraised based on the income approach to value, we anticipate severe losses in assessed valuations in the near future.

We believe that every effort should be made to provide property tax relief at this time. Our tax base is principally attributable to agricultural real estate and minerals and both the farming sector and the minerals industry are currently in a recession. Therefore, we must minimize mill levies by whatever means possible. Senate Bill 720 represents a step in the right direction.

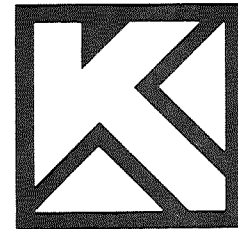
We do, however, respectfully suggest that lines 53-55 be stricken from SB 720. There is a distinct possibility that the reappraisal funding

requirements will not be spread evenly over a three-year period. These budgetary adjustments can be made annually by your Ways and Means Committees.

For these reasons, we respectfully urge you to recommend SB 615 adversely and to recommend SB 720 for passage.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

SB 615 & SB 720

March 4, 1986

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
Senate Assessment & Taxation Committee

by

David S. Litwin
Director of Taxation

Mr. Chairman, members of the committee. I am David Litwin, representing the Kansas Chamber of Commerce and Industry. We appreciate the opportunity to comment today on SB 615 and SB 720.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

We are opposed to the passage of SB 615. This bill would repeal the provisions enacted in 1985 directing a statewide reappraisal of real property and imposing

certain related tax levy limitations.

KCCI's Taxation and Public Finance Committee adopted as the first item of its 1986 specific objectives the following:

"Monitor the progress of the reappraisal of real property. Support any legislation or administrative action that may be reasonably necessary to assure that the reappraisal is conducted in a thorough and professional manner and completed on schedule. Oppose any legislation or action that would obstruct or hinder any of these goals."

Item number six on this agenda states: "Support budget and levy limitations on state and local units of government." The 1986 Action Plan, of which both positions are a part, was approved by our Board of Directors.

We feel very strongly that the reappraisal that was mandated and begun in 1985 must be permitted and, indeed, actively encouraged along its planned path of completion. The primary fact of life that precipitated the 1985 legislature into formulating a proposed classification amendment was that assessed values throughout the state no longer bore much relationship to reality, so much so that to have reappraised without changing the uniform and equal requirement would have resulted in major tax shifts that would not have been acceptable to many.

The fact of the matter, however, is that any responsible solution to the property tax quagmire requires a thorough reappraisal as a key component. To continue to tax property on the basis of values that are long out of date simply doesn't make sense, and results in arbitrary and capricious levels of effective taxation for virtually all taxpayers. How can any property tax system work effectively if it is not based, as a starting point, on actual valuations?

Conversely, for the legislature to withdraw from reappraisal now would be tantamount to stating that this branch of our state government either cannot or will not address a major problem that is clearly within its province, and to invite reluctant judicial intervention into this policy area.

Incidentally, we believe that the reappraisal statute was well-planned. On the other hand, if it is felt that there are specific problems with it, they can be

legislatively repaired. But we cannot see how repealing the entire statute would be helpful to the state of Kansas or its people.


Turning to SB 720, we endorse this bill in principle. I say "in principle" because we are not committed to any particular state aid formula in reappraisal. The main thing is, a frequently repeated concern at the local level is the cost of reappraisal, particularly since heavy expenditures such as software and hardware procurement are to be encountered early, with costs expected to decrease during the last two years of reappraisal. SB 720 would provide concrete assurance that whatever the final amount of state aid, the state is committed to supplying substantial assistance, at least in the area of 50%, and perhaps more.

Thus passage of SB 720 should help calm concerns that some localities may not be able to afford the costs of reappraisal.

Thank you again for the chance to testify. If there are any questions, I will be happy to answer them.

MEMORANDUM

TO: The Honorable Fred A. Kerr, Chairman
Senate Committee on Assessment and Taxation

FROM: Harley T. Duncan, Secretary
Kansas Department of Revenue 

RE: Senate Bill 615

DATE: March 4, 1986

Thank you for the opportunity to appear on Senate Bill 615. On behalf of the Administration, I respectfully oppose this measure.

Senate Bill 615 would repeal those sections of current law which mandate and set up the structure for the conduct of the statewide reappraisal of real property which is currently underway. Enactment of this measure would, in my estimation, represent a monumental step backward and would not be in the best interests of the citizens of Kansas. Moreover, enactment would not necessarily accomplish what the sponsors intend if that is indeed to stop the reappraisal project.

I do not need to stress to this Committee the inequities which currently exist in our property tax system and the importance of reappraisal to resolving those inequities. The most recently published **Real Estate Assessment/Sales Ratio Study** still shows that in no county is the coefficient of deviation less than 20 percent for urban property and in only five counties is that the case for rural property. In 84 counties the coefficient exceeds 40 percent for urban property and it does so for rural property in 58 counties. That means that when it comes to the ad valorem property tax, we cannot guarantee Kansans one of the fundamental responsibilities of government, i.e., to tax similarly situated taxpayers in a similar fashion. People have no assurance that they are

being treated like their neighbor even though the property tax is the single largest tax source of Kansas state and local governments and raises nearly \$1.5 billion annually.

A complete reappraisal of all real property is the only means by which we can cure these inequities. The process set in motion by 1985 Senate Bill 164 is absolutely necessary and the structure established for the conduct of the reappraisal in that bill is a sound one. It achieves the balance necessary between local and state governments for achieving a timely, quality and uniform reappraisal. To repeal that act would be to do a tremendous disservice to local governments, the State and, most importantly, to the citizens of this state.

We would all be naive if we were to think that this reappraisal could be completed without disagreements between the Department and county governments either individually or as a group. I believe, however, that because of the open and straightforward manner in which we have proceeded to this point and the quality of the people involved on both the State and local level that the difficulties encountered to date have been less than we should have expected. We have and will continue to use the Reappraisal Advisory Committee, which consists of 14 local government officials and the Director of Property Valuation, as a forum for the discussion of these state-local issues and a review committee for the actions we take in the implementation of reappraisal.

In short, the repeal of 1985 Senate Bill 164 will accomplish little that is beneficial and much that is undesirable. It will not necessarily stop the reappraisal program. It will not relieve the financial obligations of those counties that have signed contracts for mapping or other work. Most importantly, it will do absolutely nothing to cure those very serious inequities we all know exist in our property tax structure. It will, however, very likely destroy the cooperative attitude that exists throughout most of the state with respect to reappraisal. It will also destroy a well-balanced structure that I believe will serve Kansas well in accomplishing a quality reappraisal in the limited time available to us.

Senate Bill 720

I want also to encourage your adoption of the principles embodied in SB 720 which calls for the transfer of \$24 million of State General Fund revenues to the Statewide Reappraisal Cost Sharing Fund for distribution to counties to share in the costs of reappraisal. This bill is similar in intent to the Governor's budget recommendations which called for an appropriation of \$8 million for this purpose in FY 1987. It is my opinion that significant state financial assistance, such as that envisioned here, is necessary to the completion of a successful reappraisal.

I would, however, recommend that the Committee amend the bill to provide that the funds can be used by the State to purchase computer hardware and software (including installation and training) on behalf of the counties. This would, in effect, allow the State to provide the assistance on an "in-kind" basis and enable us to make volume discount purchases of such products. Such a recommendation was made by the Reappraisal Advisory Committee at its recent meeting.

On a more technical basis, I would note that the bill does not contain any formula to guide the manner or basis on which the sales tax revenues are transferred to the Cost Sharing Fund. Also, it seems that the bill should be amended to clarify that \$8 million can be expended in "each of" fiscal years 1987, 1988 and 1989. (See line 54.)

Thank you for the opportunity to appear on these two important measures. I would be glad to attempt to answer any questions.

Mr. Chairman - ladies & gentlemen of the Committee. My name is Terry Ferguson - I have the rather dubious and distinct privilege of being the County Appraiser for Dickinson County Kansas throughout the next three years or so. The Committee should be aware that I am here on my own behalf and on behalf of those whom I shall affectionately refer to as the 'Three Wise Men' of Dickinson County. (Some irreverence is permissible - since I am one of nine registered Democrats in the whole of Dickinson County)

In the interest of conceptual clarity, I would like to convey to you a statement made to me by a property taxpayer: (quote) "Ferguson, don't you understand nothin'? If everybody was payin' what taxes they was suppose to - we wouldn't even need this damn reappraisal." That person - however unwittingly - had accurately verbalized in one sentence, the paradoxical circumstance we and our advalorem tax system find ourselves in today.

If reappraisal is stopped, we will never be able to achieve the objective so eloquently described by the taxpayer quoted earlier. Additionally, if reappraisal is stopped, those counties who are already contractually obligated to firms providing mapping services will be locked into spending huge sums of money.

On the other hand, if reappraisal is allowed to proceed at its present pace - it will serve as an agent for the further draining of monetary resources for the already floundering communities who are largely dependent on agricultural economies. No, I don't believe we should stop reappraisal. I do however, believe we should think about extending the time frame in which it is to be done - in an effort to make it more affordable.

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS



5401 S. W. 7th Avenue Topeka, Kansas 66606
913-273-3600

Testimony on SB 615
before the
Senate Assessment and Taxation Committee
March 4, 1986
by
John W. Koepke, Executive Director
Kansas Association of School Boards

We appreciate the opportunity to appear before you on behalf of the 303 member boards of education of the Kansas Association of School Boards regarding SB 615. We are opposed to any legislation which would end the process of state-wide reappraisal.

Reappraisal of all property in Kansas is an essential component of bringing fairness to the distribution of state aid under the School District Equalization Act. Since property wealth is one of the essential components of district wealth under the SDEA, it is essential that property be appraised as nearly as possible under the same standards.

Given the difficulty experienced by the Legislature in beginning this process, we do not believe that this is the time to retreat on the commitment which has been made in beginning the reappraisal process. We therefore must respectfully ask that you report SB 615 adversely.

Attachment 16
Senate Tax Comm. - 3/4/86



Testimony on SB 615

Presented before the Senate Committee
on Assessment & Taxation
by Gerald W. Henderson, Executive Director
United School Administrators of Kansas

March 4, 1986

Mr. Chairman and members of the committee. United School Administrators of Kansas has a resolution in place which supports the scheduled statewide reappraisal of property. This resolution was reaffirmed by our membership in October of 1985. It is our belief that the number of protest petitions filed during the past several years dictates that reappraisal proceed on schedule as directed by existing statute.

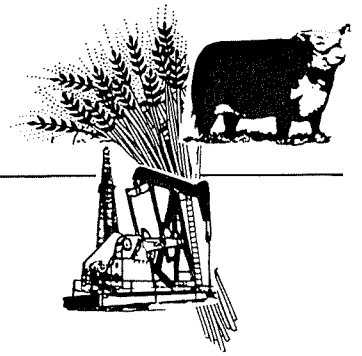
To delay, in our opinion, might invite the courts to step in and impose changes that we all might find hard to accept.

A more accurate base is needed for the determination of property assessment values. An organized, well executed reappraisal would appear to be the way to establish that base. We would prefer accomplishing that task proactively as outlined by the Legislature.

To insure that a semblance of control is maintained over the reappraisal issue, we ask that you report SB 615 adversely.

OFFICE OF HARPER COUNTY APPRAISER

Telephone (316) 842-3718 / Courthouse / Anthony, Kansas 67003



March 3, 1986

Assessment and Taxation Committee
Honorable Senator Fred Kerr, Chairman
State Capitol Bldg.
Topeka, Kansas 66612

Dear Mr. Chairman and Committe Members,

I am LeRoy Leland Harper County Appraiser and
Legislative chairman of KCAA (Kansas County Appraisers
Assn.), for 1986.

Kansas County Appraisers have supported the need of
Reappraisal for several years.

After the enactment of S.B.#164, have started the
process of fulfilling these duties of the bill by training,
hiring, and contracting with different mapping and appraisal
companies to accomplish the task. Several thousands of
dollars have been spent to this date both at the State
and County level, and would be a foolish mismanagement of
funds, time and personel to even think of repealing such
a necessary bill!

Thank you,


LeRoy Leland

LL/kmh



Office of:
County Appraiser

300 W. Ash
Telephone (913) 827-9621
Salina, Kansas 67401-2396

Darrell R. Lemon, CKA
County Appraiser

Saline County is greatly opposed to SB 615, to Repeal Reappraisal for the following reasons:

We began the process of interviewing mapping companies in July, 1985 & proceeded with this process through January 1986. Two companies were selected & a trip was made, at the expense of the county, to view facilities and determine which company would be selected to contract for the mapping project.

We have also spent considerable amounts on schools, seminars, and training relating to various reappraisal aspects.

We began renovating a 3200 sq. ft. room in the Courthouse to house the contracted companies and are still in the process of preparing this room. A great deal has been spent on supplies, equipment, renovation, as well as salaries for deed research and other reappraisal related activities.

In 1985 Saline County budgeted \$50,000.00 towards reappraisal. We spent a total of \$33,446.07. In 1986 we have budgeted \$777,385.00 for reappraisal and thru 2-28-86 have spent \$33,700.45. We are now ready to enter into a contract for mapping which will total approximately \$400,000.00, one-half of which will be paid in 1986.

Due to the vast expense Saline County has incurred over the past eight months and the projected costs for the remainder of 1986, it would be extremely unrealistic to repeal reappraisal.

The projected and actual expenses thru June 1986 will be approximately \$154,185.00. It would be highly unjustifiable to our taxpayers that this amount has been incurred to no avail.

We respectfully request that no action be taken on SB 615, and that the reappraisal process proceed as set forth in SB 164.

Respectfully Submitted,

Nancy A. Downing
Reappraisal Coordinator
Saline County, Kansas



MEMBER
International Association of Assessing Officers
Kansas County Appraiser's Association Member

NAD/jb

Attachment 19
Senate Tax Comm. - 3/4/86

Saline County, Kansas

| | |
|--|----------------|
| Total Projected cost to Saline County towards 3 yr. Reappraisal Project | \$1,300,000.00 |
| 1985 Reappraisal Budget | \$ 50,000.00 |
| 1985 Reappraisal Expenditures | \$ 33,000.00 |
| 1986 Reappraisal Budget | \$ 777,385.00 |
| 1986 Reappraisal Expenditures thru 2-28-86 | \$ 33,700.45 |
| 1986 Projected Reappraisal Expenditures (3-1-86 thru 6-30-86) | \$ 120,484.55 |
| 1986 Projected Reappraisal Expenditures (7-1-86 thru 12-31-86) | \$ 260,000.00 |
| Total Projected cost for 1986 | \$ 414,185.00 |