

Approved _____

Date

Keith Roe
2/12/90

MINUTES OF THE House COMMITTEE ON Taxation

The meeting was called to order by Representative Keith Roe at _____
Chairperson

9:00 a.m./~~p.m.~~ on February 8, 1990 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

Tom Severn, Research Department
Chris Courtwright, Research Department
Don Hayward, Revisor's Office
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Louis Klemp, Concerned Taxpayers of Leavenworth County
Bob Corkins, Kansas Chamber of Commerce & Industry
Dana Hummer, Shawnee County Citizens for Responsible Government
Timothy Earnest, West Ridge Mall Manager
George Puckett, Kansas Restaurant Association
Paul Fleener, Kansas Farm Bureau
Mark Butterfield, Mayor of Derby
Bill Hancock, Sedgwick County Commissioner
Curtis Barnhill, Topeka
Brian McNichols, Lenexa City Council
Murray Nolte, Johnson County Commissioner
John Moir, City of Wichita
Monroe Taliaferro, Mayor of Prairie Village
Kim Dewey, Sedgwick County Manager

Louis Klemp, Concerned Taxpayers of Leavenworth County, requested introduction of a bill that funds and generates Sales Tax for the total removal or dollar for dollar reduction of all property tax, by removing all exemptions, and exclusions. (Attachment 1)

A motion was made by Representative Lowther, seconded by Representative Wagon, to introduce the bill requested by Louis Klemp. The motion carried.

The Committee was directed by Chairman Roe to turn to the hearing on HCR 5040.

Bob Corkins, Kansas Chamber of Commerce and Industry, testified in support of HCR 5040, stating that if there is any broad consensus among legislators and taxpayers, it is that our communities now resort to an over-reliance on property taxes to fund their services and operations. (Attachment 2)

Dana Hummer, Shawnee County Citizens for Responsible Government, testified in support of HCR 5040, stating that it gives Kansas voters the long due opportunity to decide if they want to reduce the reliance on local property taxes to fund local government. (Attachment 3)

Timothy Earnest, West Ridge Mall manager, testified that he is on the fence regarding HCR 5040 and favors a mix of local option taxes. (Attachment 4)

George Puckett, Kansas Restaurant Association, testified that although they feel the intent of HCR 5040 was designed to help, the 20% rollback is not even close to being adequate for the current property tax burden on small businesses. (Attachment 5)

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation

room 519-S, Statehouse, at 9:00 a.m.~~pm~~ on February 8, 1990.

Paul Fleener, Kansas Farm Bureau, testified that to the extent HCR 5040 would achieve the stated objective of reducing reliance on property tax by an estimated \$314 million, they can be considered supporters, but they disagree over the lack of a clearly identified source of revenue to replace reduced property taxes. (Attachment 6)

Mark Butterfield, Mayor of Derby, testified in opposition to HCR 5040, stating that it would have a crippling effect on local units of government—they could lose approximately \$300,000 annually. (Attachment 7)

Bill Hancock, Sedgwick County Commissioner, testified in opposition to HCR 5040, stating that tax lid legislation assumes that local elected officials don't have the capacity to make proper budget decisions, and the local electorate incapable of judging local elected officials. (Attach.8)

Curtis Barnhill, Topeka, testified in opposition to HCR 5040, stating it will have a devastating effect on local government and it doesn't guarantee alternative funding.

Brian McNichols, Lenexa City Council, testified in opposition to HCR 5040, stating that it is ill-conceived, short-sighted, and will have a devastating impact on service delivery provided by local units of government throughout the state. (Attachment 9)

Murray Nolte, Johnson County Board of Commissioners, testified in opposition to HCR 5040, stating that a 20% rollback will result in an \$11.2 million loss to his County government. He also stated that this proposal does not deal with how to recover this loss. (Attachment 10)

John Moir, City of Wichita Director of Finance, testified in opposition to HCR 5040, stating that enactment of this amendment would reduce general property tax revenues by approximately \$8 million per year for the City of Wichita. Mr. Moir suggested looking at the school finance plan and empowering local governments with alternative revenue sources as permanent methods to solve these problems on a long term basis. (Attachment 11)

Monroe Taliaferro, Mayor of Prairie Village, testified in opposition to HCR 5040, stating that it would severely restrict the ability of the City's elected officials to provide the services the taxpayers in his community want and need. (Attachment 12)

Kim Dewey, Sedgwick County Manager, testified in opposition to HCR 5040, stating that this measure will not achieve the desired goal of property tax relief since the legislation is totally misdirected towards units of local government which are not part of the problem. (Attachment 13)

Chairman Roe concluded the hearing for the day and announced that the hearing on HCR 5040 would be continued on Wednesday, February 14.

The minutes of February 7, 1990, were approved.

The meeting adjourned at 11:00 a.m.

HOUSE COMMITTEE ON TAXATION

DATE 2/8/90

NAME	ADDRESS	REPRESENTING
Sue Gunkle	Shawnee	SNM USD 512
Paul E. Fleener	Manhattan	Kansas Farm Bureau
Helen Stephens	Prairie Village	Blue Valley #229
Jim Yonally	Overland Park	USD #512
CRAIG Grant	Topeka	KNEA
Art Davis	Lenexa	City of Lenexa
Brian A. McNichols	LENEXA	City Council
Monica Calaforno	Prairie Village	Mayor
KAREN FRANCE	Topeka	KAC
DAVE CORLIS	TOPEKA	LKM
Kelly Arnold	Lawrence	City of Lawrence
FRANCES KASTNER	TOPEKA	KS Food Dealers #556
Don Sweeney	Topeka	Self
Kellie Mauter	Shelton	Shelton Co.
Cathy Henderson	Wichita	City of Wichita
Mitch Gerwin	Wichita	Boeing Commercial Airports Wichita Division
Louis Kemp	Leav.	CTLC
Nana Johnson	Shawnee Co	Self
Jim Mendenhall	Topeka	member
Ivan Wyatt	W Pherson	K Farm Union
Margie Mauer	Salina	observer
Lauren Beckett	Wichita, KS	AARP
Roger D. Kirkwood	Topeka	AARP Kansas

Concerned Taxpayers of Leavenworth County

February 7, 1990



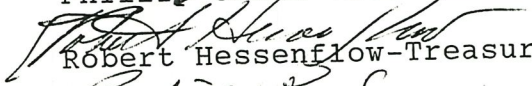

Honorable Keith Roe
House Taxation Committee
State House
State of Kansas

We, the Board of the CTLC, and General Membership, hereby request that you take into consideration the following proposal. We are requesting the introduction of a bill that funds and generates Sales Tax for the total removal or dollar for dollar reduction of all property tax, by removing all exemptions, and exclusions.

Our basic proposal does not contain any New Taxes or increases in existing Taxes. Our proposal enables you to do a statutory change, and does not require a constitutional change.

We are looking forward to meeting with the Study Committee to help relieve the current Tax dilemma in Kansas.

Respectfully,


Louis Klomp-Chairman

Phillip Urban-Vice-Chairman

Robert Hessenflow-Treasurer

Belinda Reed-Secretary

2/8/90

Attachment 1

Concerned Taxpayers of Leavenworth County

Senator Edward F. Reilly
Rep. Clyde Graber
Rep. Martha Jenkins

Dear State Legislators:

This letter is two fold in purpose. First, a formal invitation to be guest speakers at the next CTLC general membership meeting. We understand that chairman elect, Louis Klemp, has verbally contacted you regarding this meeting, and we hope that you will attend. Please respond as to your intentions regarding this invitation.

A meeting was held on the 25th day of January, 1990, at the Leavenworth Riverfront Community Center. This meeting was for the express purpose of confronting the horrendous Real Property Tax issue that has been placed upon the citizens of Kansas. This unbearable tax burden has been perpetrated upon Kansas citizens by Re-Appraisal, Re-Classification, and Bloated local budgets.

Louis Klemp, Chairman elect of CTLC outlined a well defined and simplified plan to alleviate the regressive tax situation in the State of Kansas. This plan had the previous vote of approval by the CTLC executive board. This plan was approved in its entirety, no dissentions.

Now, we, the CTLC executive board, and CTLC membership do hereby present this simple, defined plan to rectify the injustices perpetrated upon the citizens of Kansas. This plan reads, and is explained, as follows:

- (1) State Income Tax to remain the same.
- (2) State Sales Tax remains at the rate of .0425 (4¼) percent; but, all Sales Tax Exemptions and Exclusions to be removed. In effect, Sales Tax to be placed upon all Sales & Services, as per memorandum, Nov. 28, 1989. Ed. C. Rolfs, Secretary of Revenue, State of Kansas, and as attached.
- (3) Usage tax to be imposed upon manufacturing, and other similiar business-rate to be determined.
- (4) Elimination, in full, of all Real & Personal Property Taxes, and Excise Taxes, no execeptions.

Concerned Taxpayers of Leavenworth County

- (5) Budgetary lids must be assigned to all Taxing Authorities; State, Counties, Municipalities, Townships, School Districts. If State Revenue increases, spending can be increased; if revenue decreases, spending shall be decreased. The amount of the yearly increase or decrease in budgets, shall be determined by a percentage factor, never to vary more than 3% annually.
- (6) If, for some inconceivable reason, this simple plan for funding budgets is not forwarded into legislative action; then a reversion to 1988 Real Property Tax rates should take place immediately; until, a satisfactory taxing system is devised.
- (7) The Governor of the State of Kansas, in his State of the State message, stated that he would veto any bill that indicated an Income or Sales Tax increase. This proposal has no increases, just removal of all exemptions, and exclusions.
- (8) This is a general concept by CTLC, and certain refinements and changes could take place with a concensus of opinion.

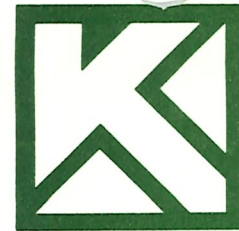
This plan is presented to you in the hope that as responsible, sensitive elected officials of the citizens of Kansas; that you will forward this plan into legislative action at the state level. By so doing, the CTLC, and the citizens of Kansas, would be more favorable in supporting any of your future endeavors.

Respectfully,


Louis Klomp

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



500 Bank IV 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

HCR 5040

February 8, 1990

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
House Taxation Committee

by

Bob Corkins
Director of Taxation

Mr. Chairman and members of the Committee:

Thank you for the opportunity to testify regarding HCR 5040 and its provision for a constitutional reduction of local reliance on property tax revenue. My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry and I am conveying our organization's support for the taxation principles contained within this proposal.

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.

2/8/90
Attachment 2

A very basic problem is addressed by this resolution. If there is any broad consensus among legislators and taxpayers, it is that our communities now resort to an over-reliance on property taxes to fund their services and operations. Every aggrieved property taxpayer who has spoken out on the subject of reappraisal and classification can identify this problem as a common contributor to their dilemma.

Conversely, every aggrieved taxpayer can also claim a benefit from a comprehensive reduction in local property tax reliance. HCR 5040 is the only constitutional amendment proposed as of this date which can accurately make this claim. It does not provide a solution for just one county or group of counties. It does not provide relief to just one cross-section of taxpayers or group of taxpayers. It does not benefit one group of taxpayers at the expense of another. There could not be a more even-handed response to everyone's common problem.

KCCI supports this general method of addressing the problem. We acknowledge that there will be difficulties in implementing the substitute funding sources that a proposal of this kind would require. However, the negative effects of this type of response are limited to its implementation and do not translate into any net disadvantage to taxpayers. Any long term disadvantage which could conceivably arise would be caused by a poor choice in the type of substitute funding that the legislature ultimately decides upon. Some taxes are more responsive to fluctuations in inflation and therefore better ensure a stable source of future revenue. To the extent that a substitute revenue source would discourage economic growth and thereby limit the creation of new jobs and greater prosperity for all Kansans, KCCI would then object to the course of this overall proposal. However, the recommendation for using sales taxes to fill this gap is acceptable to our organization and it poses relatively little threat to our state's economic health.

With these reservations noted, KCCI lends it support to the general thrust of HCR 5040 and the sound principles we believe it contains.

MR. CHAIRMAN AND MEMBERS OF THE COMMISSION:

MY NAME IS DANA HUMMER> I RESIDE AT 3301 ARNOLD, TOPEKA, KANSAS. I AM HERE IN FAVOR OF THE CONCEPT OF PROPOSITION 13.

IN ANALYZING THIS PROPOSAL< THE PROPOSAL GIVES KANSAS VOTERS THE OPPORTUNITY TO DECIDE IF THEY WANT TO REDUCE THE RELIANCE ON LOCAL PROPERTY TAXES TO FUND LOCAL GOVERNMENT. THIS OPPORTUNITY TO LET PEOPLE VOTE ON DIRECT PROPERTY TAX RELIEVE IS LONG OVERDUE. WE SHOULD PUT OUR TRUST IN THE PEOPLE OF KANSAS AND THIS PROPOSITION WOULD ALLOW FOR THAT. I BELIEVE VERY STRONGLY IN THE CONSTITUTION, THAT POWER BELONGS TO THE PEOPLE. THIS POWER MOVES UPWARD TO OUR ELECTED OFFICIALS.

UNDER THE GOVERNOR'S PROPOSAL, EACH COUNTY WOULD BE ALLOWED TO DECIDE WHETHER IT WOULD STICK WITH THE PROPERTY TAX TO FUND IT'S LOCAL GOVERNMENTAL UNITS OR USE ALTERNATIVE TAXES. OTHER PROPOSED AMENDMENTS DON'T OFFER VOTERS THAT CHOICE.

TAXPAYERS IN COUNTIES WHICH VOTED FOR A PROPERTY TAX ROLLBACK WOULD BE GUARANTEED THAT THEY WOULD PAY NO MORE THAN 80 PERCENT OF THE 1989 PROPERTY TAXES AND THAT TAXES IN THE FUTURE WOULD NOT RISE MORE THAN THE INFLATION RATE, THUS ASSURING A PERMANENT SHIFT TO OTHER TAX SOURCES. THIS NEEDS SOME FINE TUNING -- IT WOULD HAVE BEEN MORE PALATABLE HAD IT BEEN 40% ROLLBACK OR START OUT WITH THE YEAR 1988.

2/8/90

Attachment 3

THIS AMENDMENT TURNS THE POWER TO MAKE IMPORTANT TAX CHANGES OVER TO THE PEOPLE, FIRST ON THE CONSTITUTIONAL QUESTION IN A STATEWIDE VOTE AND THEN TO THE VOTERS IN EACH OF THE 105 COUNTIES.

HOMEOWNERS AND SMALL BUSINESSES NEED PROPERTY TAX RELIEF. WHILE OTHER AMENDMENTS WOULD SHIFT THE BURDEN ONTO HOMEOWNERS, THIS PROPOSITION 13 IS A STRAIGHT FORWARD ROLL BACK ON PROPERTY TAXES FOR EVERY SINGLE PARCEL OF PROPERTY IN KANSAS, GIVING ALL VOTERS THE RIGHT TO DECIDE WHAT SOURCE OF REVENUE SHOULD PAY FOR LOCAL SERVICES.

SMALL BUSINESS IS THE BACKBONE OF OUR STATE. 76.7 PERCENT OF ALL BUSINESSES IN KANSAS HAVE 9 OR FEWER EMPLOYEES. IT IS IMPORTANT THAT WE PRESERVE SMALL BUSINESSES AND THIS REDUCTION IN THE RELIANCE ON PROPERTY TAXES WOULD BE EXTREMELY HELPFUL ON THAT FRONT. THE OTHER DAY WHEN I APPEARED, SOMEONE ASKED ME WHERE THOSE FIGURES CAME FROM. I TOLD THIS PERSON THAT I HAD RECEIVED THIS INFORMATION FROM THE RURAL DEVELOPMENT PLAN, HOWEVER, IT WAS FROM THE COUNTY BUSINESS PATTERNS, UNITED STATES DEPARTMENT OF COMMERCE, BUREAU OF CENSUS FOR KANSAS, 1987. I APOLOGIZE FOR THIS ERROR.

THIS PROPOSAL WOULD REDUCE THE OVERALL PROPERTY TAX BURDEN FROM 33 PERCENT TO 28 PERCENT OF TOTAL TAXES COLLECTED, REPRESENTING A \$310 MILLION REDUCTION IN PROPERTY TAXES.

PATSY MC DONALD, THE CLERK OF SHAWNEE COUNTY, STATED THERE WOULD BE A 4.5 MILLION DOLLAR SHORTFALL FOR ALL ENTITIES IN SHAWNEE COUNTY. BUT THIS COULD BE MADE UP WITH A 1.5 CENTS SALES TAX.

IN 1971, THE POLICE AND FIRE DEPARTMENT OF THE CITY OF TOPEKA WERE THE ORIGINATORS OF A 1/2 CENT SALES TAX PROPOSAL. THIS PROPOSITION PASSED BY OVER TWO-THIRDS MAJORITY OF THE CITIZENS OF TOPEKA. THE COMBINED SALES TAX FROM 1971 AND 1982 GENERATES ROUGHLY 13 MILLION DOLLARS ANNUALLY.

LET ME CONCLUDE MY REMARKS. MANY PEOPLE HAVE EXPRESSED THE OPINION THAT YOU HAVE A TOUGH JOB. TO FIND A SOLUTION TO THE TAXING PROBLEM, TOUGH JOBS ARE FOR TOUGH MINDED PEOPLE. I ADMIRE YOUR POSITION. YOU HAVE THE OPPORTUNITY IN YOUR GRASP TO CHART A NEW COURSE IN KANSAS HISTORY. ONE THAT WILL PRESERVE A SYSTEM AND WILL NOT PERMIT CLASS DISTINCTION OR SEPARATE ONE SECTION OF OUR POPULATION FROM ANOTHER, BUT MAKE US ALL FIRST CLASS CITIZENS.

I AM HAPPY TO SEE THAT THE SEAT OF OUR STATE GOVERNMENT IS HERE IN TOPEKA, KANSAS. THANK YOU!



HOUSE TAX COMMITTEE
February 8, 1990

I am writing to you in reference to the property tax/reclassification issue for 1990. Realizing that this issue will undoubtedly resurface during the 1990 legislative session, I want to take this opportunity to point out the extensive shift in taxes that has resulted from the act in present form. Melvin Simon and Associates owns and operates over three million square feet of retail space in Wichita, Hutchinson, and Topeka, Kansas. In Topeka, we own the newly developed West Ridge Mall and West Ridge Plaza. It is this project that I will use to demonstrate the severe shift in taxes that is a result of the reclassification.

Our company owns over 75 enclosed malls throughout the country from New York to California. Though West Ridge is one of the newer projects, we have had many others open within the past two years, several of which are larger than West Ridge. With this in mind, it is appropriate to use our portfolio for this real estate tax comparison without bias to property condition, size, or value.

In 1989, our property tax bill was 285% higher per square foot than our company average, the highest per square foot billing in our entire company. This is despite a significant vacancy, which is a major factor in determining value using the income approach. We expected this project to carry a higher tax burden than average, due to location and newness, but not close to the 285% that is now being billed. For 1990, this billing is expected to be 314% over our company average, and unfortunately, still the highest in our company. This very high billing has placed an extraordinary burden on all of our properties, and is hampering our leasing efforts. Retailers are not used to seeing these rates in even New York and California, and question whether such a tax can be recaptured through the strength of the Kansas retail market.

Our real estate taxes are passed on to the retailers (except for vacancies). After polling merchants regarding the "net effect" (factored in loss of inventory tax), we find consistently that overall taxes are increasing from 50% to 500%.

2/8/90

Attachment 4

House Tax Committee
February 8, 1990
Page 2

We continue to seek information in researching the real estate tax on West Ridge Mall, and our other Kansas properties. I would like to have the opportunity to discuss this issue with you in person, at which time I can clarify further this additional information.

I would appreciate your assistance in efforts to adopt more amiable real estate tax legislation to bring business tax in parity with normal tax levels throughout the country. Feel free to contact me at (913) 272-5119 if you would like further information on the issues that I have presented.

Respectfully,

Timothy G. Earnest
Mall Manager

TGE:ljb



KANSAS RESTAURANT ASSOCIATION

359 SOUTH HYDRAULIC • P.O. BOX 235 • WICHITA, KANSAS 67201 • (316) 267-8383

My name is George Puckett and I represent the Kansas Restaurant Association, a statewide group of approximately 950 foodservice and hospitality businesses.

The Kansas Restaurant Association opposes HCR 5040. Although we feel the intent of the measure was designed to help, the 20% rollback is not even close to being adequate for the current property tax burden on small businesses. For example, (because this is one I can personally discuss), the real estate taxes on the small KRA building in Wichita were increased 312% from \$1,520 in 1988 to \$4,752 in 1989. The 20% rollback as proposed in HCR 5040 would allow a reduction of \$950, leaving a total 1989 tax bill still due of \$3,800, or an increase still amounting to a 250% increase over the 1988 tax bill. You can imagine how little this would help a small business whose taxes had increased by a much larger amount.

It is my sincere belief that, for as many small business people that are going through the hassle of trying to prove their real property taxes unfair, there remain at least that many who are not because they sincerely believed there was no doubt that tax help would come quickly at the offset of the 1990 legislature if there was a problem in November after the tax statements were mailed out. We've had calls in our office as recently as last week from members who were confident a solution would come before they had to pay the second 25% of their tax statement coming due in March.

The Kansas Restaurant Association will support virtually any worthwhile measure intended to give small business the tax relief it desperately needs, while providing a more fair and equitable means of taxation. The KRA also supports the concept of placing a cap on real property taxes, thereby relieving the unfair tax burden now upon real property owners. This is also vital for the continued growth and survival of small business in Kansas.

2/8/90

Attachment 5



PUBLIC POLICY STATEMENT

HOUSE COMMITTEE ON TAXATION

**RE: H.C.R. 5040 - Proposition to amend the Constitution
to place a limitation on the levy of property taxes**

February 8, 1990
Topeka, Kansas

Presented by:

Paul E. Fleener, Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and Members of the Committee:

My name is Paul E. Fleener. I am the Director of Public Affairs for Kansas Farm Bureau. We thank you for the opportunity to make brief comments concerning H.C.R. 5040, the Governor's proposal to amend the taxation and finance article of the Kansas Constitution by adding a new section to place a limitation on the levy of property taxes.

For many, many years we have testified before Taxation Committees and Education Committees on the need to reduce the reliance on the property tax. We favor limiting the use of the property tax. Unified School Districts are the largest users of the property tax. Other local units of government rely heavily on the property tax to provide the services to citizens of counties, cities, and countless other taxing districts.

*2/8/90
Attachment 6*

To the extent H.C.R. 5040 would achieve the stated objective of reducing reliance on the property tax by an estimated \$314 million, we could logically be considered supporters.

We part company with the out and out proponents of this measure over the lack of a clearly identified source of revenue to replace the property taxes which would be alleviated. We believe there should be an identified source of revenue to be used in all taxing districts to reduce the property tax. We believe this **known source** must be part and parcel of a package so that voters will know exactly what they are being asked to vote for and what the result would be.

Mr. Chairman and Members of the Committee, the Governor has suggested a local "option" sales tax for replacement of revenues lost by limiting the use of the property tax. That may well be a good **second step**. In our view, and again so the voters will know what it is they are asked to approve, the first level of replacement revenues should be approved by this Legislature contingent upon passage of this amendment in whatever form you ultimately conclude is appropriate in order to limit and rollback the property tax. If the sales tax is the appropriate vehicle, and if one and a half percent is the magic figure, then we suggest that this Legislature in this Session approve a one and a half percent increase in the sales tax to become effective after the vote on H.C.R. 5040 ... to be held, November 6, 1990 ... and **only if** the measure is approved by the voters as a new section of Article 11 of the Kansas Constitution, the proceeds of the one and

a half percent sales tax should then be returned through the Local Ad Valorem Tax Reduction Fund (LAVTRF).

Attached to our testimony you will find policy positions adopted by voting delegates from 105 counties representing the farmers and ranchers in those counties. The voting delegates at the December 3-5, 1989 Annual Meeting held in Wichita expressed themselves clearly on property classification and reappraisal. They said: "The classification amendment should NOT be resubmitted." H.C.R. 5040 does not touch the classification amendment, therefore it does not violate the spirit or letter of our policy position.

In another of our adopted policies concerning state and local governmental budgeting, spending and taxation, people have said "It is time in Kansas to write a basic tax policy of taxing people for services to people and taxing property for services to property." That would lend credence to the use of state general fund revenues to assist in offsetting property tax revenues. The full statement on that is also attached.

We have included for your examination as well our policy position on school finance. That policy expresses this thought: "We continue to believe that there should be minimal reliance on the property tax for support of our elementary and secondary schools." The School Finance policy also says: "We support legislation to place increased reliance on the state sales tax for financing elementary and secondary education in order to reduce reliance on property taxes now levied for school finance."

Mr. Chairman and Members of the Committee we thank you for the opportunity you have provided us to make these comments concerning the proposal to place a limitation on the levy of property taxes. We look forward to working with your Committee and with all in the Legislature to achieve the stated objectives of reducing reliance on the property tax, adequately and properly funding our schools and other local units of government. We would be pleased to respond to any questions.

Property Classification and Reappraisal

The Kansas Legislature in 1985 adopted, by the required two-thirds majority, and voters in Kansas approved by an overwhelming majority, a proposal to amend the Finance and Taxation Article (Art. II) of the Kansas Constitution to provide limited classification of real and personal property for assessment and taxation purposes. The proposed amendment was designed to ensure against an unfair shift of status quo taxes, and was intended to provide for equitable taxation within and among the various classes of property.

The anticipated equity did not occur, largely because appropriate appraisal procedures in existing law were not used. In many cases undocumented and unsubstantiated county index and depreciation schedules used in valuation were allowed by the Property Valuation Department (PVD), without regard for the inequities that this procedure would cause between counties. Quality control of each county's appraisal procedures should be required.

The appraisal process should be the focus of legislative directives. In order to achieve a valid state appraisal, the indexes used by counties in Computer Assisted Mass Appraisal (CAMA) should be uniform statewide, with allowance for any slight deviations. Further, the depreciation schedules should also be uniform county-to-county within acceptable deviations.

Appeals, tax payment under protest and new valuation notices under the annual maintenance reappraisal which do use all appropriate factors in K.S.A. 79-503a, will also help bring about equity.

The classification amendment should NOT be resubmitted. The constitutional provisions should remain intact and the appraisal process should be the focus of legislation and directives to the PVD, county appraisers and firms contracted to conduct appraisals.

County Boards of Equalization should be given the right to protest to the Board of Tax Appeals on behalf of their counties any valuation of state assessed property.

We urge Farm Bureau members in all counties to work with their county appraiser to determine the fairness and equity of their appraisal with the county and between counties.

Reappraisal legislation and the classification amendment to the Kansas Constitution have provided for appraisal of agricultural land on the basis of its income-producing capability. The legislation set forth an equitable procedure for determination of net income and an appropriate capitalization rate for agricultural land. These factors and procedures must be retained to assure equity and stability in valuation of agricultural land.

The reappraisal statutes require annual updating of the appraisal and valuation of taxable property. The cost associated with this annual updating should not be borne entirely by the counties. We suggest that 50 percent of this additional expense be paid by the state.

State and Local Governmental Budgeting, Spending and Taxation

It is time in Kansas to write a basic tax policy of taxing people for services to people and taxing property for services to property.

Expenditures by the State of Kansas and by local units of government in Kansas in any fiscal year should never exceed projected revenue receipts for that fiscal year.

Zero-based budgeting is essential to fiscal planning and should be required for all state agencies as well as all local units of government.

We support additional funding of our elementary and secondary schools through a school district income tax and additional state aid.

We support funding for the third year of the "Margin of Excellence" for higher education.

We believe some agricultural programs in Kansas have been sorely underfunded in the past. Two specific examples are the International Grains Program and the International Meats and Livestock Program which should receive increased appropriations.

The Agricultural Value Added Processing Center, created by legislation enacted in 1988, should receive full and adequate funding in the 1990 Legislative Session.

Plant Science, Phase II, at Kansas State University should move ahead on schedule.

It is important and essential to all Kansans that we continue our State Meat Inspection Program.

The Swine Technology Center, created but unfunded by the Legislature in 1988 should receive its needed appropriations in 1990.

An eradication program for pseudorabies, a potentially devastating disease to the Kansas swine industry, should have federal, state and producer support and funding. We support initiation of the pseudorabies eradication plan in Kansas and ask the Legislature to provide funding for the Kansas portion of the plan.

The State General Fund should have adequate balances or reserves.

School Finance

We believe the Kansas Legislature should develop a school finance formula to assist in the delivery of and funding for a "basic education" for every child enrolled in public schools in each unified school district in the state.

We continue to believe that there should be minimal reliance on the property tax for support of our elementary and secondary schools. As long as property is used as a measure of wealth, then intangible property should be a part of such measurement of wealth.

We support legislation to create a school district income tax to be collected by the state from every resident individual and returned by the state to the school district of residence of the individual taxpayer.

We will oppose the application or use of a local income or earnings tax by any other local unit of government.

We support legislation to place increased reliance on the state sales tax for financing elementary and secondary education in order to reduce reliance on property taxes now levied for school finance.

State General Fund revenues should be enhanced for school finance purposes by increasing the rates of income and privilege taxes imposed on corporations, financial institutions, insurance companies, and non-resident individuals.

We believe that federally and state-mandated programs should be fully funded by the federal or state government, whichever mandates a given program.

We have opposed in the past, and we continue to oppose efforts to establish a statewide property tax levy.

Representative Roe and Members of the Taxation Committee:

My name is Mark Butterfield, Mayor of Derby, and I am here today representing the 18 cities of the second and third class in Sedgwick County through the Association for Legislative Action by Rural Mayors. I am here today to ask your consideration in voting to kill HCR 5040.

The proposal as presented would have a crippling effect on local units of government. Not only would the proposal mean automatic cutbacks in available revenues, but the proposal would have a devastating long-term impact on cities, counties, and school boards being able to deliver the services demanded by our citizens.

The proposal as presented would mean an approximate annual loss of over \$300,000 for the city of Derby. We are aware that the Governor's proposal would allow local units of government to place the question of a local sales tax of up to one and one half percent on the ballot to be voted on by our constituents.

Looking realistically at this option, the majority of cities in Kansas do not have the retail base to make up the difference in lost property tax revenues. And even if they do, the option places the local merchants at an immediate disadvantage if the cities and unincorporated areas in the county do not or cannot pass similar sales taxes. Local governments are not in the business of placing unfair restrictions or regulations on merchants who have already felt the sting of reappraisal and classification.

Further, it does ^{NOT} seem likely, seeing the mood of our constituents who are extremely upset with the outcome of reappraisal and classification, that the voters of any city would vote to impose any kind of a tax, even if the facts were overwhelming that the loss of revenue from the property tax will mean a loss in service.

We, the smaller cities in Sedgwick County, would ask you to consider the following points before you act on this piece of damaging legislation:

The State of Kansas has developed huge packages of incentives and tax breaks to lure new business and industries to the state, but is, at the same time, saying that cities and counties should not be allowed the revenues and financial latitude to be able to offer the businesses and industries water, sewer, and streets. Additionally, without the necessary revenue to repair and maintain existing infrastructure, cities and counties will, over the course a few years, fall into devastating disrepair which will cost billions of dollars to remedy in a matter of a few years. I am sure that this committee is aware that one of the most significant problems in

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America today is the shocking condition of the nations bridges, roads and service delivery systems. Without the ability to maintain the systems of today, cities and counties will only exacerbate the problems.

As an example of this, I might call your attention to the past legislative session where the legislature was forced to allocate \$2.65 billion dollars to improve and construct new highways in Kansas. I would think that this one example would provide an all too apparent correlation that without the ability to allocate funds on a gradual, on-going basis for the repair and maintenance of our infrastructure, cities and counties will be forced to delay much needed repairs until such time as we are forced to issue significant amounts of general obligation bonds. This, in our way of thinking, is defeating the purpose of good, financially sound government by forcing our citizenry to pay double the costs of project construction when bonds are issued.

The organization and city which I represent here today are also concerned that this legislation is one more step in eroding the principles, and basic rights of self determination through home rule. This proposed resolution connotes that local governing bodies are not intelligent enough to determine the directions for the future of their communities. This legislation is saying that the legislature knows more about the levels of services, and knows more than the local citizenry with regard to demands for, and receipt of services.

Having served my constituents for about seven years, believe me, I know what the citizens want, and how much they are willing to pay for what they want. I know because I am a resident of the City of Derby. I know because I have to pay the same taxes that everyone else does. I know because I am there every day, and because my citizens let me know what they want, and they certainly let me know when they have problems. I know because I have true concerns that if I don't do the job which is demanded of me, I will voted from office.

I also know what construction projects need to be initiated over the next five years in my city. I know that the City of Derby will probably have to spend in excess of \$15 million over the next five years to maintain the existing infrastructure and provide the new services associated with our growth. However, because of priority planning, it is our contention that we can pay for these projects on an on-going basis without significantly impacting the mill levy, or basic user charges.

While I can only speak for my city with concern to the budget, I would like to let you know that the City of Derby did not, and will never pad the budget. In fact, the Governing Body of the City of Derby levied property taxes which total \$221,000 under the amount which we are legally allowed by statute.

In conclusion, I would urge you to give serious consideration to NOT placing further financial restrictions on the levels of governments which are the most responsive to the citizens. I would urge you to

give serious consideration to the facts that local government, like most of you did not create the problems associated with the property tax.

According to a paper prepared by Dr. Glenn Fisher of Wichita State University, for Kansas Inc., property tax problems have been a long-time in the making. Political influences, and a general lack of knowledge about the system have caused the problems. You, the legislators who make the laws of Kansas, are not going to solve a problem whose generation began over a hundred years ago, over this or the next few legislative sessions.

We, as the leaders of the state, and of our local communities need to work toward a solution which is realistic, futuristic and not simply politically expedient during an election year. The solution has to be amenable to all people, and not simply a reaction that will only cause more problems.

If there is a need to reduce dependency on the property tax as the primary source of revenue for local units of government, we would recommend that the legislature give serious consideration to shifting school finances away from the property tax, and to another funding method such as an earnings tax. This legislation would pit city against city and cities versus counties and school districts. Currently, school taxes comprise anywhere from 50 to 70 percent of property tax funding levels. The earnings tax could be levied as a surcharge to the state income tax, and could be collected and distributed by the state. The property tax could then be continued as the primary source of revenue for cities, counties, and other taxing entities, but would not cause such a strain on the property taxpayer.

We know that your jobs are not easy, and we ask the same consideration from you. Our jobs are not easy either. We understand that any decision made on this legislation will not be popular with all of the people of the state. But let's work together to solve the problem for the long-term instead of trying to place the blame and point fingers. Cities in the State of Kansas are gravely concerned that this legislation is nothing more than an attempt to shift the blame for reappraisal from the original state mandate to the local level who are responsible for providing the lion's share of protection and services without benefit of adequate funding to carry on the functions of government. There is little doubt that the best methodology is to be able to act rather than to react.

Thank you for your consideration, and for the opportunity to comment on this extremely important matter. We do appreciate your efforts and your work on our behalf.

Mark A. Butterfield, Chairman
Association for Legislative Action
by Rural Mayors



BOARD OF COUNTY COMMISSIONERS

SEDGWICK COUNTY, KANSAS

Bill Hancock
Commissioner — Second District

COUNTY COURTHOUSE • SUITE 320 • 525 NORTH MAIN • WICHITA, KANSAS 67203-3759 • TELEPHONE (316) 268-7411

TESTIMONY OF BILL HANCOCK, SEDGWICK COUNTY COMMISSIONER

HOUSE COMMITTEE ON TAXATION - HCR 5040

FEBRUARY 8, 1990

In Sedgwick County, the process of Reappraisal is over. Throughout the last few months, the County Tracking System has demonstrated reasonable success with values placed on property by the Appraiser. Commercial and residential property values are well within the parameters of accepted standards, and only vacant lots are in immediate need of adjustment.

As you are aware, many counties in Kansas are not as fortunate in their success. In viewing the median sales ratio and coefficient of deviation of other counties in Kansas, it is apparent that more work is necessary in establishing market value for property tax purposes. However, in Sedgwick County, our advantage is having sales that help our Appraiser establish market value, and then confirm those appraisals with sales of those properties. It is my view that given the time, all counties will meet the standards of market value appraisals. The Legislature did in fact provide the tools necessary to appraise property to market value. It is now necessary to give more counties more time to adjust their values to reflect correct appraisals. If you are not aware, Kansas stands as one of the leaders among states in the area of property tax appraisal. The Legislature put the machinery in place, and it now needs time to work.

What I propose today, is that we separate the issues. It is impossible to discuss what is wrong with reappraisal and at the same time consider new tax structures. The discussion cannot logically tolerate mixing the two issues. The Legislature should not confuse the matter with debate on the tax lid, new tax structures and the success or failure of Reappraisal.

Property tax is utilized by all states in some form because of its stability, and it is subject to and controlled by local units of government. It remains the single most important source of revenue for local units of government. Local units of government should be held accountable for its use, and in fact, are willing to accept that responsibility.

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February 8, 1990

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As a Commissioner representing nearly 80,000 people in the 2nd District, I cannot let my constituents believe that a tax lid will solve our property tax dilemma. Property taxes are higher because of a much smaller tax base, and relief is certainly in order. I support new revenue sources, but I oppose the smoke and mirrors solution of a tax lid.

I propose to the Legislature that they not institute a tax lid in any form. I also propose that School Districts be funded with a combination of revenue, including a reduced portion or percentage of property tax, thus allowing increased accountability to the taxpayer. I support a decrease of the reliance on property tax, and diversification of the State's revenue source to support Kansas School Districts.

In conclusion, it is my view that Legislation providing for a tax lid assumes that local elected officials have not the capacity to make proper budget decisions, and the local electorate incapable of judging local elected officials.

BILL HANCOCK
Commissioner - Second District
Sedgwick County, Kansas

BH/jc

TESTIMONY TO HOUSE TAXATION COMMITTEE
REGARDING HCR 5040
BRIAN MCNICHOLS, CITY COUNCIL PRESIDENT
LENEXA, KANSAS
THURSDAY, FEBRUARY 8, 1990

Mr. Chairman and Members of the Committee:

I am Brian McNichols, Council President for the City of Lenexa and also first Vice President for the Kansas Association of Councilmembers and Commissioners. Lenexa is a City of 33,000 residents with a large business base located in Johnson County.

The City of Lenexa has tremendous concerns with HCR 5040. This proposal is ill-conceived, short-sighted, and will have a devastating impact on service delivery provided by local units of government throughout the state.

IMPACT ON LENEXA

A 20% rollback in Lenexa would produce a revenue short fall of \$1,783,045. This decrease in revenue coupled with an additional decrease of approximately \$638,400 in motor vehicle tax revenue equals a total revenue short fall for Lenexa of \$2,421,445. Obviously, if the average county mill decreases, the revenues from the motor vehicle tax will also decrease above previous estimates. One problem is that replacement revenue has not been identified.

According to this constitutional amendment, unless there is a public vote, existing and future general obligation debt is not exempt from the rollback. I would submit to this committee that some cities would run the risk of possible default on existing bond issues if alternative sources of revenue are not identified. This would also cause instability in the bond market because of the realistic possibility that alternative sources of revenue may not be available or implemented. This committee understands the detrimental affects this could have on the bond markets and the added costs cities would incur due to a higher interest paid on debt and the strangle hold

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this would put on a city's ability to issue debt to provide infrastructure. In addition, this amendment would severely handicap local government's ability to implement its capital improvement plan in an orderly manner. We have always prided ourselves in Kansas for having a flexible set of statutes dealing with the issuance of debt which has allowed our cities to build infrastructure more expeditiously than our neighboring state of Missouri. The state of Missouri requires a public vote on every general obligation bond issue and as a result has suffered by their inability to attract businesses in recent years. Granted, Missouri requires a 4/7 majority for bond issues, but I believe the primary reasons businesses have re-located to Johnson County are due to the ability to provide quality schools for our children, and the ability of local units of government to provide infrastructure prior to development rather than post development, along with other necessary public safety services. I encourage this committee to not support this or any other constitutional amendment dealing with a tax rollback or mill levy cap which would put a strangle hold on local government's ability to implement their capital improvements programs and provide the services requested by residents and businesses.

Kansas "Proposition 13" tackles the symptoms and not the illness, which are the inequities created by the existing classification amendment. This proposal is inequitable because it provides another decrease in taxes to those businesses who already received a benefit due to the exemption of inventory taxes. In addition, those commercial properties who increased 100-500% are not going to be assisted to any great extent by a 20% decrease in property taxes. I would argue that this again forces a larger percentage of the taxing burden to be placed on residential and non-inventory commercial properties.

This constitutional amendment proposes establishing a blue ribbon committee to prepare a master plan for alternative revenue sources for local units of government to implement. Lenexa has serious concerns regarding any formula that would provide funding from an alternative source of revenue that would distribute monies to at least 60 separate property taxing entities in Johnson County. Another issue of concern is the competitive nature of the consumer and our close proximity to the retail and wholesale establishments in Missouri.

Finally, I would urge this committee to tackle the real issue of inequity which is classification. Classification must be left in the constitution to provide stability and consistency to businesses and local units of government. I encourage this committee to allow local government officials to make those tough decisions regarding property taxes in their own unique communities. Authorize cities and counties to enact a half cent or one cent sales tax at local option to offset both property taxes and the reduction in motor vehicle tax revenues as we see the need. Yes, 99% of every property tax dollar is spent by local government. Local government also provides the most essential services to the citizens and businesses of this state. Allow local "home rule" to work and allow me to be accountable to those who elected me to office.

Thank you for your time. I would be pleased to answer any questions the committee might have.



February 8, 1990

HOUSE TAXATION COMMITTEE

HEARING ON HOUSE CONCURRENT RESOLUTION 5040

TESTIMONY OF MURRAY NOLTE, CHAIRMAN
JOHNSON COUNTY BOARD OF COMMISSIONERS

Mr Chairman, members of the Committee, a week ago I appeared before this committee on House Bill 2700 imposing a tax lid on local governments. I have come again to talk to you about House Concurrent Resolution 5040 that not only imposes a tax lid but requires a 20% roll back of local taxes. Although our Board normally delegates such matters to our Liaison to the Legislature, the issues covered in these two proposals are of such urgency that I felt it necessary to visit with you in person.

The Governor has proposed that the way to address the perceived tax problems is to open the Kansas Constitution and impose an "iron clad" tax lid on local governments along with a roll back of 20%. Such action would be an over-reaction. If we have learned nothing else from the reappraisal process, it should be clear that locking classification into the constitution was a mistake. It was entered into without an understanding of the end results and now we are here attempting to repair the damage. Why then would we consider another opening of the constitution for an amendment which not only provides no solution to our current problem but promises further negative ramifications.

I would like to specifically address the impact that the proposal would have on Johnson County. A 20% roll back will result in an \$11.2 million loss to the County government. This is equivalent to the combined budgets of the Library, the Emergency Medical Service and the Nursing Center. The proposal does not deal with how to recover this loss, we are told to wait until the 1991 legislative session and it will be decided for us. That is not logical, and I can't believe the State government would want to revisit the current situation.

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Testimony of Murray Nolte, Chairman
Johnson County Board of Commissioners
Hearing on House Concurrent Resolution 5040
February 8, 1990
Page Two

After taking the \$11.2 million cut, plus over a \$4 million loss in motor vehicle revenue, we must then continue to provide the level of services our citizens demand and the infrastructure necessary to attract development. All of this while adhering to an inflexible tax lid. As I mentioned last week, Johnson County's growth has been a key factor in helping the state during recent economic slumps. Anything that slows that growth down, as this proposal will, is detrimental to the entire state.

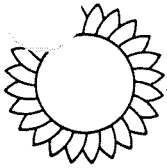
In addition to the growth factor, there is the question of state mandates to counties. I could give you a long list, but will assume you are aware of the responsibilities that the state has delegated to the local levels. If a constitutional amendment is appropriate to impose a tax lid, perhaps it should also prohibit the state from mandating programs to local governments without providing adequate funding to fulfill those mandates.

As commissioners, and as the County Board of Equalization, we have spent hundreds of hours over the last two years dealing with reappraisal and classification and their effects. If we can retain our ability to deal with the issues in a logical manner, the state of Kansas will have one of the best tax systems in the country. If we lose that ability to use logic, we stand in danger of negatively changing the quality of life in Kansas.

As I mentioned last week, I was involved in the reappraisal problems 20 years ago. I told you I wrote to Senator Bennett to protest the budget lid being imposed at that time. I didn't mention his answer--which was, that my request might make sense but the political climate dictated a lid. Luckily, we had the option of Home Rule. Home Rule, aren't those terrific words! Home Rule, local services, local citizens, local elected officials. Whatever you settle on here in Topeka, I hope you leave us that option.

I wish to preface my remarks with an attempt to counter the impression that local officials are more interested in spending and holding on to taxes than dealing with the inequities in the property taxes, the very real life threat perceived by those on low and fixed retirement incomes and the need to deliver services to all the citizens. There has been a great deal of criticism of our county and others for the increase in the mill levy last year.

Johnson County's operating budget did not increase the mill levy. The increase was due solely by required debt service and our CARS road commitment. The operating increases within our normal growth are shown on a graph attached to my statement.



Memorandum

To: E. H. Denton
County Administrator
From: Dan Williamson
Senior Management & Budget Analyst
Date: February 5, 1990

Subject: 1990 Budget

According to the Tax Abstract, Johnson County levied \$47,422,991 in all funds for the 1989 budget. For 1990, Johnson County will levy \$54,301,432 in all funds. This represents an increase of \$6,878,441, or 14.5%. The following table will assist in illustrating some of the major factors generating increases in ad valorem taxes.

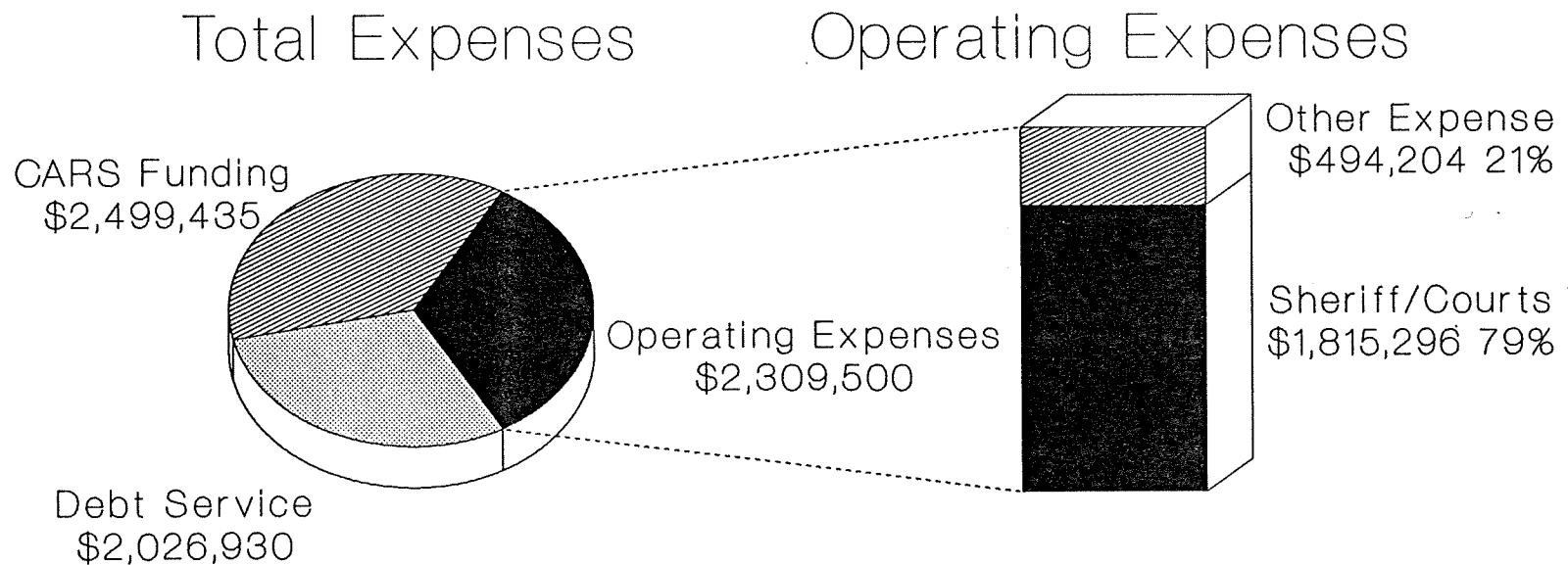
	<u>Increase</u>
Debt Service	\$2,026,930
CARS Funding	2,499,435
Operating Expenses	<u>2,309,500</u>
Total	\$6,835,865

Please recall that estimated growth of 4.87% in valuation generated \$2,309,500 and that 1990 operating expense increases were held to this factor.

Finally, the Sheriff, District Attorney, and Courts operating budgets accounted for \$1,815,296, or 79%, of the \$2,309,500 operating budget increase.

Please call me if you have any questions regarding this material.

Cause of Increase in Ad Valorem Taxes 1990 Budget



4.87% Growth Factor = \$2,309,500

WICHITA



DEPARTMENT OF FINANCE
OFFICE OF DIRECTOR
CITY HALL — THIRTEENTH FLOOR
458 NORTH MAIN STREET
WICHITA, KANSAS 67202
(316) 368-4434

February 8, 1990

The Honorable Keith Roe
Chairperson
House Taxation Committee
State Capitol
Topeka, Kansas 66612

Subject: House Concurrent Resolution No. 5040

Dear Mr. Roe:

HCR No. 5040 would amend the State Constitution to establish a limitation on the amount of property tax revenue produced by any taxing district effective in tax year 1991. In tax year 1991, the limitation would be 80 percent of the property tax revenue raised in tax year 1989. In tax years after 1991, the amount of property tax revenue produced could be increased (1) to reflect increases in the tax base (taxed at the same mill levy rate as 1991) and (2) consistent with the annual inflation rate. The tax limitation could be suspended by a majority vote of the electors of any taxing subdivision. Debt service payments would be exempted from the limitation. No offsetting alternative revenues or tax policy is included in HCR No. 5040.

In the case of the City of Wichita, the enactment of this amendment would reduce general property tax revenues by approximately \$8 MILLION PER YEAR. Starting in 1993, the City would lose an additional \$1.5 MILLION PER YEAR in motor vehicle property taxes (which are related to the amount of general property taxes levied in the second preceding year). Absent offsetting revenue alternatives, the amendment would adversely impact current service levels and the City's capital improvement program (see the attachment). While the amendment does not directly impact amounts levied for debt service, it is important for the Committee to understand that the City of Wichita attempts to maintain a stable mill levy rate for both operating and debt service funds. This means that the amount levied for the debt service fund would bear its share of the revenue losses in order to mitigate the damage to current service levels (to the extent that the payments for existing bonds would not be jeopardized). The bottom-line is that the proposed amendment would undermine current service levels and planned future capital improvements. Services and infrastructure would erode over time until a majority of constituencies in the city were adversely impacted and realized the problems needed to be remedied by approving exemptions to the tax lid. This scenario is not in the public interest.

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Attachment 11

The Honorable Keith Roe, Chairperson
House Taxation Committee
Subject: House Concurrent Resolution No. 5040
February 8, 1990
Page 2

HCR No. 5040 would reduce the effective tax rate on commercial property within the corporate city limits of Wichita from the current 3.71 percent to 2.97 percent of appraised value. This would still result in an increase in the effective tax rate on commercial property from 1.53 percent prior to reappraisal to 2.97 percent of appraised value, an increase of 94 percent (versus 142 percent between 1988 and 1989 tax years). The effective tax rate for residential property would go from 1.18 in 1988 to 1.49 in 1989 to 1.19 in 1991 (with enactment of the proposed amendment). The increase in the residential property tax rate between 1988 and 1991 would be about 1 percent only. Property taxes as a percentage of total state and local taxes have declined from over 55 percent in 1960 to about 33 percent in 1989. After implementation of the proposed amendment, property taxes would be 28 percent of total state and local taxes--a reduction of five percent.

The City of Wichita is unequivocally opposed to HCR No. 5040 or any other "tax lid" legislation. It is not appropriate to use the "tax lid" approach to solve the current property tax problem. A "tax lid" is contrary to the principle of home rule, undermines local decision-making, pre-empts local governments from dealing with demands for expanded or new services (such as, police and fire protection and health and environmental problems), and creates infrastructure deficits that ultimately cost the taxpayers more due to deferred maintenance.

The problems caused by reappraisal and classification resulted from the delay in statewide reappraisal for 25 years, a heavy reliance on property taxes under the school aid formula, and the immediate implementation of the new appraised values (rather than phasing-in the new values over a period of several years). A tax lid is perceived as a "quick fix," but it is not the answer. Look at the school finance plan and empowering local governments with alternative revenue sources as permanent methods to solve these problems on a long term basis. Circuit breakers could be utilized to provide interim relief to the property taxpayers most adversely impacted by reappraisal/classification.

Sincerely,



John Moir
Director of Finance

JM/gf
Attachment

February 8, 1990

The following are some of the areas that would be cut to accommodate reductions in property tax revenues.

PARK DEPARTMENT:

Botanica basic costs (including facility maintenance)	\$170,770
Craft shop	82,000
Close O.J. Watson Park	60,000
Close all 10 swimming pools	<u>200,000</u>
Total Park	<u>\$512,770</u>

LIBRARY:

The first option would require reducing part-time staff by 50 percent. This would result in a 33 percent reduction in the central library operating hours and a 50 percent reduction in branch library operating hours, and a 20 percent reduction in District library operating hours for a savings of

\$179,525

The second option would be to close branch libraries. The recommended order of closings, and their related costs are:

1. Orchard Branch	\$ 60,200
2. Alley Branch	69,875
3. Planeview Branch	49,450
4. Northeast Branch	66,650
5. Linwood Branch	81,700
6. Minisa Branch	56,975
7. Comotara Branch	44,075
8. Sweetbriar Branch	92,987
9. Seneca Branch	<u>95,675</u>

Total for Closing all Branch Libraries **\$617,587**

The third option would be to eliminate the directory service and the genealogy services. Total savings

\$111,692

FIRE DEPARTMENT:

West Side Fire Station -	\$359,760
17 Firefighters salaries	43,620
Operating Costs (1st Year)	<u>\$403,380</u>

Estimated savings to close any other fire station in the City.

\$598,860

POLICE DEPARTMENT:

West side Police Substation	\$ 22,180
Operating Costs (1st year)	74,790
Annual Debt Service (estimated)	<u>\$97,080</u>

East Side Police Substation	\$ 22,180
Police Helicopter Program	239,020

Currently, there are 34 patrol beats. Savings from cutting one patrol beat:

Auto (yearly charge plus insurance)	\$ 7,360
Officers (5.8 officers per beat)	214,020
Savings From Cutting One Patrol Beat	<u>\$221,380</u>

CAPITAL IMPROVEMENT MAINTENANCE PROGRAM:

This program is funded at \$1,018,000 out of the General Fund. This would eliminate residential maintenance on approximately 200 blocks (or 20 miles) of streets.

METROPOLITAN TRANSIT AUTHORITY:

Completely remove this program, saving \$1,930,780 in General Fund contributions.

ART MUSEUM:

Close the Art Museum saving \$1,073,830.

DEBT SERVICE:

Debt service cannot be cut since GO bonds have already been sold, and backed by the full faith and credit of the taxing district. However, new bonds would not be issued in amounts consistent with the approved capital improvement program (as revenues would be needed to support current services).

TESTIMONY TO SENATE COMMITTEE

ASSESSMENT AND TAXATION

RE: HOUSE CONCURRENT RESOLUTION NO. 5040

MAYOR MONROE TALIAFERRO

PRAIRIE VILLAGE, KANSAS

FEBRUARY 8, 1990

Mr. Chairman and members of the Committee, I am Mayor Monroe Taliaferro from the City of Prairie Village. Ours is a city of 23,000 residents surrounded on three sides by other Johnson County cities and on one side by Kansas City, Missouri. Our community has one of the highest populations of senior citizens in the County. The changes proposed in House Concurrent Resolution No. 5040 would severely restrict the ability of the City's elected officials to provide the services the taxpayers in my community want and need.

Very briefly, I will share with you some specific reasons that I cannot support this bill.

1. The City of Prairie Village projects revenue of approximately \$9 million in 1990. Property tax revenue is 22% of that amount, \$2 million. If this amount is cut by 20%, the City will have to replace \$400,000 in revenue or reduce city services by that amount.

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Attachment 12

2. Motor vehicle tax revenue will be reduced in 1991 because of the effects of reappraisal - we have estimated that our revenue will be reduced by \$321,000. If this Amendment is approved, we will lose an additional \$183,000 from this important revenue source.

3. We may also lose funds we currently receive from the County which help us maintain roads on the County Road System.

4. As you can see, if this bill is adopted, in 1992 the City's revenue will be at least \$900,000 less than it is this year - that is a 10% reduction in our total revenue.

I have served in local government for six years, first as a Council member and for the past year as Mayor. Those of us who serve as local elected officials meet and work with our constituents on a daily basis, we are concerned for and responsive to their needs and requests. I believe that the local governing body is qualified to determine the delicate balance that must be maintained between city revenue sources and City services. Local elected officials must have the ability to provide the services our aging population and community need, this bill will rob us of the right to make those decisions.

In this time of ever increasing citizen demands and environmental regulations, local government officials need the flexibility to make the difficult revenue and expenditure decisions which allow us to meet the needs of our neighbors and to be accountable to them for those decisions.

Mr. Chairman, thank you for your time and attention. I would be pleased to answer any questions you or members of the Committee might have.



TESTIMONY OF KIM C. DEWEY
SEDGWICK COUNTY MANAGER
HOUSE TAXATION COMMITTEE
HCR 5040
FEBRUARY 8, 1990

HCR 5040, and accompanying legislation to provide an "Ironclad Tax Lid" represent the most potentially detrimental public policy ever proposed in the State of Kansas. The effect of the passage of any of this legislation would be the virtual destruction of local government and local government services as we know them. Perhaps most tragic is the fact that the measures will not achieve the desired goal of property tax relief since the legislation is totally misdirected towards units of local government which are not "part of the problem."

None of the proponents of these pieces of legislation have been able to demonstrate with fact that the Cities and Counties of the State have acted irresponsibly or have contributed to the property tax increases that certain classes of property owners have experienced. Reason with me, if you will, and review the facts of the current property tax "crisis" and the facts of how cities and counties utilize the property tax as a revenue source, and you will inevitably reach the conclusion that these measures are misdirected and ill-conceived public policy.

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Attachment B

FACT: The tax increases experienced by certain classes of property owners are due to two (2) main factors:

1. Changes in assessment ratios per the classification amendment and;
2. Exemption of significant types of property from taxation, (i.e., inventories, livestock, etc.)

FACT: Statewide, levies to support Unified School Districts comprise 50% of aggregate levies across the State. In many Counties the share of the total property tax pie taken by education is much more than 50%.

FACT: No reliable data has been presented which shows the City and County levy rates exceeded median or mean rates below inflation for the years 1988-1990. While selected political subdivisions can be singled out to demonstrate double digit levy increases, most can be justified by intervening circumstances. For example, Hutchinson is often mentioned as a unit of local government which increased its levy a large percentage from 1988-1989. In fact, the reason for the increase was the repeal of the Intangibles Tax, a conscious decision of the voters.

The point is, there is no reason to conclude that Cities or Counties managed their annual budgets in other than a responsible and ethical manner.

FACT: Many of the functions which are proposed for inclusion under the lid are State mandated services. This is a totally inconsistent policy direction from the State. On one hand, the State is requiring the local government to tax and provide for services, on the other hand, the State is imposing a limitation which prevents compliance with the service requirement.

It also creates a priority for services which has no connection with rational public policy. For example, by putting Community College Out District Tuition under the "lid" with Emergency Medical Service Levies, the State is in effect placing a higher priority on Out District Tuition than on lifesaving services. Since the levy for Out District Tuition is required, when the lid is reached, as it will be, lifesaving services are by law relegated to inferior priority.

FACT: Owners of property should pay for services provided by Cities and Counties since by and large, the services relate to the protection, preservation and enhancement of the value of property.

Without the basic services provided by Cities and Counties, (Fire, Police, EMS, Courts, Roads, Bridges, Sewers, and Water), the property would have little or no value. The factor which sets Kansas apart from other States in terms of the property tax burden is the heavy reliance of public education on property tax, not the reliance of Cities and Counties on the property tax.

Let's stop now, before it gets too out of hand, and concentrate on resolutions to the property tax "crisis" which strike at the true underlying causes. These solutions need to be either directed at changes to the classification of property or the exemptions granted, and/or directed towards reducing the reliance of public education on the property tax.