

Approved

Date

2/15/90

MINUTES OF THE House COMMITTEE ON Taxation

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

9:00 a.m. on February 14, 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:

Representative Marvin Barkis
Terry Humphrey, Kansas Manufactured Housing Association
Rod Taylor, President, South Village, Inc.
Dee McKee, Ford County Commissioner
Stan Simon, Stan Simon and Associates

Representative Marvin Barkis testified on his bill HCR 5048. He stated that his proposal returns exempt properties to the base and adds progressivity so that the property tax takes into account the taxpayer's ability to pay. Representative Barkis proposed adjusting the classification percentages and proposed partial flat-rate exemptions to introduce progressivity into the property tax code. (Attachment 1)

Written testimony on HCR 5048 was provided by:

Bob Corkins, Kansas Chamber of Commerce and Industry (Attachment 2)
Karen France, Kansas Association of Realtors (Attachment 3)

Terry Humphrey, Kansas Manufactured Housing Association, testified in opposition to HCR 5039 and HCR 5043, stating that they oppose the provisions in these bills that raise the multi-family property tax assessment rate from 12 percent to 20 percent. She also requested that multi-family housing be treated in the same manner as single family housing and four-plexes as to tax purposes. (Attachment 4)

Rod Taylor, South Village, Inc., testified in opposition to HCR 5039, stating that today, manufactured housing pays a proportionate share of tax dollars through the manufacturers, suppliers, retailers, park operators, and homeowners, and the proposed tax increase could be catastrophic to the entire industry. (Attachment 5)

Stan Simon of Stan Simon and Associates testified in opposition to HCR 5039, stating that the proposed increase from 12 percent to 20 percent undermines the economic viability and continued existence of the majority of projects he knows of, or has information on. (Attachment 6)

Dee McKee, Ford County Commissioner, testified in opposition to HCR 5040, stating that the proposed roll back will be devastating to conservative long range planning and that a local intangibles tax is a pitiful way to treat local citizens. (Attachment 7)

Chairman Roe concluded the hearings on: HCR 5039, HCR 5040, HCR 5043, and HCR 5048.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation,
room 519-S, Statehouse, at 9:00 a.m.~~p.m.~~ on February 14, 1990

Written testimony on HCR 5040 was provided by.

Ernie Mosher, League of Kansas Municipalities (Attachment 8)

Craig Grant, Kansas Association of School Boards (Attachment 9)

John Torbert, Kansas Association of Counties (Attachment 10)

Butch Felker, Mayor of Topeka (Attachment 11)

Mary Ella Simon, League of Women Voters of Kansas (Attachment 12)

Linton Bartlett, City of Kansas City, Kansas (Attachment 13)

Ivan Wyatt, President, Kansas Farmers Union (Attachment 14)

The minutes of February 13, 1990, were approved.

The meeting adjourned at 10:30 a.m.

February 14, 1990
Property tax classification plan:
Rep. Marvin Barkis

I appreciate the opportunity to testify today on property taxes and specifically, to discuss my proposed property tax amendment.

I hope that from the many suggestions that you have received, a reasonable, common sense property tax package will emerge for the consideration of the House. Like you, I want the focus to be on efforts to help the Kansas taxpayer.

By that I mean the average taxpayer who accepts his fair share of the tax burden. The average taxpaying Kansan is not trying to shirk his responsibility, he just wants to make sure he isn't paying for someone else's tax break.

Why are taxpayers angry with the system? They believe it is neither fair nor equitable. For many years, Kansas legislators and Governors from both political parties have allowed special interest tax cuts to erode the Kansas tax base.

We played Santa Claus with tax code. We didn't mind sharing the wealth because Kansas revenues were steadily rising, and we were able to pay the bills of government.

But in the eighties, revenues tailed off, due partly to the flattening of the economy. At that point we began to notice what happens when too many special interest groups are getting a free ride. The average taxpayers began to pay more and more.

The lobbyists will tell you today and over the next few weeks that I am wrong. They will tell you that their loopholes are necessary for economic development. But I am telling you that the small businesses and homeowners are being killed by this kind of economic development.

When too many people get a free ride, the rest of the people pay a higher tax bill. The system seems unfair to the average taxpayer, because it is.

When citizens believe the tax system is unfair, they begin to lose their faith in government. When that happens, they become reluctant to support even the most important work of government. We must preserve the public trust if we expect the people to support their government.

The Governor knows something must be done. However, his plan makes the problem worse. He wants all Kansans to pay higher general taxes to balance the effects of the tax cuts for the special interest groups. Instead, we ought to close some of their loopholes. We shouldn't be talking about raising taxes so that we can cut taxes, we ought to be trying instead to make the system more fair.

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Attachment 1

I believe we should start by talking about long term solutions that don't jeopardize local governments.

My proposal is designed to address two major problems:
(1) dramatic shifts onto small businesses, and
(2) the regressiveness of the property tax.

It puts much of the currently exempt property back on the tax rolls, establishes a progressive exemption for homeowners and small businesses, and adjusts classification rates to correct deficiencies in the current system.

Let me briefly describe the main features of this plan:

I propose adjusting the classification percentages:

Residences are lowered from 12 to 10 percent.

Commercial businesses are lowered from 30 to 20 per cent.

Business machinery and equipment is raised from 20 to 30 percent.

Property taxes are restored at 30 percent for livestock and inventories.

I propose partial flat-rate exemptions to introduce progressivity into the property tax code:

All homes would receive a \$5000 exemption from their valuation.

All businesses would receive \$5000 exempted from their real property valuation.

All businesses with inventories would have \$200,000 exempted from their inventory valuation.

The Legislature would be able to increase or decrease the exemptions by statute.

My proposal simply returns exempt properties to the base and adds progressivity so that the property tax takes into account the taxpayer's ability to pay.

This plan, or a variation of your choosing, could work in tandem with closing down the loopholes in the sales tax code to help pay for local schools. The system would be more fair, and less reliant on the property tax.

		89 ASSESSED ACTUAL	% OF TOTAL	RATIO	89 ASSESSED PROPOSED \$5,000	% OF TOTAL
		659,779				
URBAN REAL ESTATE						
RESID MULTI-FAM	12%	49,649	299,141,076	2.11%	20%	448,919,176 3.39%
RESID OTHER	12%	610,130	3,676,082,435	25.99%	10%	2,758,337,171 20.82%
VACANT LOTS	12%		135,161,208	0.96%	10%	112,634,340 0.85%
OTHER COMM'L	30%	55,048	2,728,934,816	19.25%	20%	1,764,241,638 13.32%
AGRICULTURAL	30%		10,428,719	0.07%	30%	10,428,719 0.08%
TOTAL URBAN REAL ESTATE			6,849,748,254	48.42%		5,094,561,044 38.46%
RURAL REAL ESTATE						
RESIDENTIAL	12%	93,529	759,576,834	5.37%	10%	586,216,195 4.42%
VACANT LOTS	12%		23,965,185	0.17%	10%	19,970,988 0.15%
OTHER COMM'L	30%	10,087	500,036,194	3.53%	20%	323,270,702 2.44%
AGRICULTURAL	30%		1,518,658,531	10.74%	30%	1,518,658,531 11.46%
TOTAL RURAL REAL ESTATE			2,802,236,744	19.81%		2,448,116,416 18.48%
		65,135				
TANGIBLE PERSONAL PROPERTY						
URBAN						
GAS AND OIL	30%		3,127,722	0.02%	30%	3,127,722 0.02%
BUS MACH & EQ	20%		487,405,998	3.45%	30%	731,108,997 5.52%
ALL OTHER PERSONAL	30%		63,029,554	0.45%	30%	63,029,554 0.48%
MOBILE HOMES	12%		31,602,990	0.22%	10%	26,335,825 0.20%
MOTOR VEHICLES	30%		42,659,478	0.30%	30%	42,659,478 0.32%
TOTAL URBAN PERSONAL			627,825,742	4.44%		866,261,576 6.54%
RURAL						
GAS AND OIL	30%		1,198,748,479	8.47%	30%	1,198,748,479 9.05%
BUS MACH & EQ	20%		195,656,089	1.38%	30%	293,484,134 2.22%
ALL OTHER PERSONAL	30%		34,312,773	0.24%	30%	34,312,773 0.26%
MOBILE HOMES	12%		17,746,982	0.13%	10%	14,789,152 0.11%
MOTOR VEHICLES	30%		62,450,208	0.44%	30%	62,450,208 0.47%
TOTAL RURAL PERSONAL			1,508,914,531	10.67%		1,603,784,745 12.11%
EXEMPT PROPERTY						
MERCHANTS INVENTORY	0%		0	0.00%	30%	447,926,597 3.38%
MANUFACTURERS INV	0%		0	0.00%	30%	302,552,638 2.28%
LIVESTOCK	0%		0	0.00%	30%	120,219,610 0.91%
MOTOR VEH DEALERS INV	0%		0	0.00%	0%	0 0.00%
FEEDLOTS	0%		0	0.00%	30%	8,047,148 0.06%
FARM MACHINERY	0%		0	0.00%	0%	0 0.00%
BUSINESS AIRCRAFT	0%		0	0.00%	0%	0 0.00%
TOTAL EXEMPT PERSONAL			0	0.00%		878,745,992 6.63%
TOTAL PERSONAL			2,136,740,273	15.11%		3,348,792,314 25.28%
STATE ASSESSED						
PUBLIC SERVICE CORP	30%		532,876,301	3.77%	30%	532,876,301 4.02%
RURAL PUBLIC SERVICE CORP	30%		1,782,858,833	12.60%	30%	1,782,858,833 13.46%
UTILITY INVENTORY	30%		40,879,725	0.29%	30%	40,879,725 0.31%
TOTAL STATE-ASSESSED			2,356,614,859	16.66%		2,356,614,859 17.79%
TOTAL ASSESSED VALUATION			14,145,340,130	100.00%		13,248,084,632 100.00%

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

HCR 5048

February 14, 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:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. Rather than present oral testimony to your committee on this proposal, I would like to briefly summarize our position and provide reference to other testimony of KCCI's for further elaboration on these issues.

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.

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Attachment 2

KCCI opposes HCR 5048 for two primary reasons. First, it proposes to amend the present classification system -- a move which we believe is unwise and disadvantageous to the state's business community as a whole. The ultimate effects of another reclassification are unknown and could only serve to benefit one class of taxpayers at the expense of another.

Second, KCCI opposes the reinstatement of the business inventory tax to any extent. The tax is arbitrary, inequitable, discourages economic growth, and its reinstatement would introduce an element of unpredictability into the state's business climate. For details on these issues, I recommend that you refer to the written testimony KCCI presented regarding HCR 5039 on February 7, 1990, before your committee.

Thank you for your consideration.



Executive Offices:
3644 S. W. Burlingame Road
Topeka, Kansas 66611
Telephone 913/267-3610

TO: THE HOUSE TAXATION COMMITTEE
FROM: KAREN FRANCE, DIRECTOR, GOVERNMENTAL AFFAIRS
DATE: FEBRUARY 14, 1990
SUBJECT: HCR 5048

Thank you for this opportunity to testify. On behalf of the Kansas Association of REALTORS®, I appear today not to support or oppose the concepts which HCR 5048 proposes, but to say that we do not believe it is the answer to the existing tax problems.

What has been proposed in this amendment might have been preferable over what was presented to the people in 1986. However, we believe that in 1990, the answer to the property tax crisis which we face is not just a mere reworking of the classifications or the assessment rates. The answer lies in putting caps on the amount of property taxes which can be assessed against real estate and looking for alternative means for funding local government budgets.

Of the hundreds of people we have talked to across the state, one common theme which we have heard is, that property taxes are too high because they are used to pay for too many things.

Since 99% of all property tax dollars are spent at the local level, we feel the property tax burden should be reduced from 1989 levels and the local units of government should be given all avenues to finance their budgets to replace the property tax revenue. The local units should have more options for

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Attachment 3

funding their budgets than they are now given by the state--this means sales tax, income tax, earnings tax, or whatever form of taxation the local units deem is appropriate and which is approved by a vote of the people.

We believe that, in conjunction with these local options, the next amendment which the people of Kansas should have a chance to vote for or against, is a constitutional cap on taxes at an effective rate of 1% for homes and 1½% for commercial and agricultural properties, with a cap on annual increases of no more than 3% each year. Without a constitutional cap on property taxes, when budgets get lean in later years, the local units will be tempted to go back to property taxes and start the vicious cycle again.

We believe the next constitutional amendment which goes on the ballot will need to be as simple and straightforward as possible. Taxpayers are going to need to look at the amendment, understand it and reasonably know how much their property tax will be, or they will not vote for it. At the same time, it must be a workable solution for the state. We believe that, while there are specific details to be worked out on our solution, it is a simple, workable solution to the problem.

We stand ready to assist you in developing the appropriate amendment.

KANSAS MANUFACTURED HOUSING ASSOCIATION

TESTIMONY BEFORE THE
HOUSE COMMITTEE ON TAXATION

TO: Representative Keith Roe, Chairman and
Members of the Committee

FROM: Terry Humphrey, Executive Director
Kansas Manufactured Housing Association

DATE: February 14, 1990

RE: HCR 5039 and HCR 5043

Mr. Chairman and members of the committee I am Terry Humphrey, Executive Director of the Kansas Manufactured Housing Association and I appreciate the opportunity to comment on HCR 5039 and HCR 5043. The Kansas Manufactured Housing Association represents all facets of the manufactured housing industry and our associate members the Recreational Vehicle Council.

First I will address the provisions in both bills that effect manufactured housing rental communities in Kansas. Specifically we oppose provision (4) in these bills that raise the multi-family property tax assessment rate from 12% to 20%. Under the current provisions of Classification, the manufactured housing rental community is classified as multi-family and therefore under the proposed bills would receive a major tax increase.

Typically manufactured housing serves the low to moderate income families who want to own their own home. Many manufactured home owners have their home in a rental community or park, where they lease the land. This is out of choice or because single site placement is unavailable.

The manufactured housing tenant situation is very similar to that of apartment tenant, where they are predominately young families or elderly. For these groups of people it is very difficult to deal with rent increases. And they are less able to price shop when a rent increase comes because of the major expense involved in moving their home. Likewise these people are tied to their location because of schools, shopping, and their proximity to work.

In recent years, local, state and federal governments have become aware of an affordable housing crisis and steps are being taken at all levels of government to evaluate the problem and initiate remedies. Presently the United States Congress is deliberating on the National Affordable Housing Act and it is expected that the Act will require state and local housing plans before federal funds are available. In addition, it is expected that the housing plans will need to examine how public policy including tax policy effects affordable housing.

It is my understanding that part of rationale for raising the tax assessment on multi-family housing properties is based on a perception that multi-family housing units received a tax break under the '86 Classification Amendment. However, after polling our rental community owners, I found that a substantial number of these communities actually experienced a significant property tax increase and I have attached the results of my poll to my testimony. Only three members reported no tax increase.

Secondly, I would like to address the portions of HCR 5043 that reinstates the inventory tax and HCR 5039 that gradually phase it out by 1995. Both the manufactured housing industry and the R.V. Council oppose reinstatement of the inventory tax for merchants and manufacturers based on the same reasons the Legislature approved the proposed exemption in 1985. Our association still believes that Kansas has a lot of work to do in the area of economic development and that the reinstatement of this tax could inhibit that progress.

In conclusion KMHA respectfully requests that you treat multi-family housing for tax purposes in the same manner as single family housing and four-plexes; and that you reject the reinstatement of merchants and manufacturers inventory tax. Thank you very much.

KANSAS MANUFACTURED HOUSING ASSOCIATION
Property Tax Poll

M.H. Rental Communities	Tax '88	Value	Tax '89	Value	% Change
Colonial -Wichita	\$15,794.53	\$101,460.00	\$61,965.24	\$505,422.00	292.00%
Conestogo - Edwardsville	8,337.47	52,170.00	40,749.06	330,640.00	389.00%
Conestogo - Edwardsville	8,383.82	16,630.00	23,581.22	131,090.00	181.00%
Countryside - Manhattan	6,323.00	235,475.00	10,408.00	789,500.00	65.00%
Liberal Mobile Home Park	689.22	5,450.00	1,986.82	15,612.00	188.00%
Lakeshore - Wichita	5,676.41	37,640.00	15,410.82	124,884.00	171.00%
Lamplighter - Wichita	13,765.30	11,650.00	16,879.66	46,740.00	23.00%
Pacesetter - Wichita	5,418.46	35,930.00	15,353.06	124,416.00	183.00%
Mobile Manor-2206 - Wichita	5,195.00	115,710.00	18,092.00	1,229,800.00	248.00%
Mobile Manor-2014 - Wichita	1,864.00	41,520.00	5,440.00	369,800.00	192.00%
Mobile Manor-3850 - Wichita	2,790.00	62,130.00	12,859.00	874,000.00	361.00%
River Oaks - Wichita	27,739.74	33,650.00	134,569.40	35,640.00	36.00%
Santa Barbara - Olathe	67,344.63	111,980.00	91,856.44	368,670.00	36.00%
Sherwood Acres - Wichita	3,375.17	10,290.00	5,158.11	41,472.00	78.00%
Silver Spur-1915 - Wichita	9,657.42	64,520.00	22,553.68	183,960.00	134.00%
Silver Spur-3825 - Wichita	3,379.61	22,410.00	7,137.51	57,840.00	111.00%
Silver Spur-3825 O - Wichita	1,316.55	8,730.00	3,435.48	27,840.00	361.00%
Silver Spur - Goddard	1,109.06		3,821.87	33,336.00	245.00%
South Village Inc - Topeka	17,834.66		31,990.71		79.40%

*Three members responded with no change.

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MOBILE HOME PARK • SALES & SERVICE

4637 SOUTH VILLAGE PARKWAY
TOPEKA, KANSAS 66609

(913) 862-2131

February 14, 1990

SOUTH VILLAGE, INC.

Chairman Keith Roe and Members of the Tax Committee:

My name is Rod Taylor. As president of South Village, Inc., I am here today to ask you to consider how HCR 5039 would adversely affect our residential community. South Village is the largest manufactured home community in Shawnee County and its tax situation is probably an average representation of most of the parks in this county.

First the history of South Village. Construction was started in 1969 with the last phase completed in 1976 for a total of 357 rental lots. Our present occupancy level is 324 with our highest occupancy level ever at 332 or 93%. The reason for the less than 100% occupancy level is supply and demand. I point this out to you because it demonstrates our inability to increase rent levels.

I am not in the habit of giving financial information to anyone. However, I feel that you may benefit from this in your decision making process. I would request that this information remain confidential. In 1989, South Village, Inc. P & L was \$31,552.00 before income tax and after paying 1/2 of our taxes at the new appraised level. The ROI (return on investment) at South Village is not high but is adequate. Since October of last year, our water and sewer rates have increased by 20.6% with further increases of 26.4% scheduled over the next 2 years. We provide these utilities to our tenants and this cost represents 14% of our operating expense currently. In addition, South Village is financed under a variable interest rate. The 1990 adjustment will negatively affect the bottom line by \$11,000 this year. I present these figures to demonstrate the other increases we are up against. When coupled with the increase proposed under HCR 5039, the effect would be catastrophic.

I have enclosed a copy of our 1988 and 1989 tax receipts. As you can see, with reappraisal, our taxes went from \$17,834.66 to \$31,990.71, an increase of \$14,156.05 or 79.4%. This amount divided among 324 tenants represents \$3.64 per tenant per month. We had to absorb this increase because we felt that a rent increase would cause a loss in tenants and consequently a greater loss in revenue than the increase in taxes.

Now we come to the classification increase proposed by HCR 5039 which would raise the taxes at South Village from 12% of valuation to 20% of valuation. The result would be another \$21,327.14 for a total increase of \$35,483.19. Our total tax liability would then be \$53,317.85, triple the 1988 level. This would translate to another \$5.49 per tenant per month for a total of \$9.13. Ladies and Gentlemen, this could break us! After our last rent increase of 7.4%, we lost 22 homes - 6.8% of our tenants.

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Attachment 5

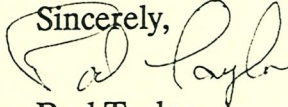
I am sure the legislature does not desire to put business under. As a businessman, I desire to pay my fair share of the tax burden. But if this resolution is passed into law, it will put the largest, nicest manufactured home community in Shawnee County in dire straights. South Village is not alone in this dilemma. I have talked to other park operators in the area and they have like situations.

Our tenants are homeowners. The property they live on should not be taxed any differently than those in conventional housing just because it is rented. Ultimately, this is where the tax burden will go - to the homeowner - the very people who are crying out to you now for relief. Our tenants can not go out and buy ground in Shawnee County to place their homes on because zoning laws do not allow the placement of single sectioned homes on private property.

Communities like South Village are essential to those citizens who choose manufactured housing. We must be able to keep rent levels affordable for the welfare of these citizens as well as for the protection of a viable industry in the state of Kansas.

Today, manufactured housing pays a proportionate share of tax dollars through the manufacturers, suppliers, retailers, park operators, and homeowners. The tax increase proposed could be catastrophic to the entire industry. Please vote no on HCR 5039 and allow our assessment rate to remain the same as conventional homes.

Thank you for your time.

Sincerely,

Rod Taylor

DO NOT REMOVE THIS STUB

INFORMATION BLOCKS

SHAWNEE COUNTY, KANSAS 1988 REAL ESTATE

A 35 B 12,000 C 25 D 25 E 13,000
PROPERTY ADDRESS

4037 IRUMAN

53552

LOAN CO. LOAN NUMBER

SPECIAL ASSESSMENTS

DELINQUENT TAXES

TAXED ITEMS

CERT. #	YEARS	TAX

MERCER BLK A LOT 9 SOUTH ILPEKA INDUSTRIAL PARK "A"

NEW-ID#1393092001008000

53385 LAND
67085 IMPROVEMENT

TAX UNIT	TAXES FYR (\$1000)	MILL LEVY	VALUATION	GENERAL TAXES
014	17.611	176.11	101270	17834.86

TOTAL SPECIAL'S	TOTAL TAXES DUE
	17834.86

GENERAL TAX BREAKDOWN

STATE	COUNTY	CITY
151.91	1305.70	4480.10
TOWNSHIP	SCHOOL	OTHER
	8823.88	2775.81

R A 0091530217001010 98 157-070

SOUTH VILLAGE

4637 S VILLAGE PRAY
ILPEKA KS 66609-1829

1988
REAL ESTATE

TAX STATEMENT

SEE INSTRUCTIONS ON BACK SIDE

0157076 0030000 400007PTTIP0
0891733 0004397

0157076 121988 30030PTTIP0
0891468 0000000

MAJURIE ROJARDS, TREASURER

CHECK CASH CHANGE

FIRST HALF INTEREST	8917.33
SECOND HALF INTEREST	8917.33

43.97
Roual... *gmc*

337,567.000

5.4

INFORMATION BLOCKS

TAX STATEMENT
SHAWNEE COUNTY, KANSAS

YEAR

PROPERTY ADDRESS

A 15,000 B 35,000 C 12,000

1989

4637 SE TRUMAN

D 35 E F G H

TAXED
ITEMS

CLS

%
ASSESSED
VALUATION

LATE FILING
PENALTY

GENERAL
TAXES

LOAN CO.

LOAN NUMBER

SPECIAL ASSESSMENTS

MERCIER BLK A LOT 9 SOUTH TOPEKA INDUSTRIAL PARK "A"
SUBDIVISION SOUTH TOPEKA IND PARK A LOT BLOCK
LAND RU 12 45684
IMPROVEMENTS RU 12 158568
IMPROVEMENTS CU 30 1980

TAX UNIT
114

MILL LEVY
195.12

ASSESSED VALUATION
206232

GENERAL TAXES
31990.71

TOTAL SPECIALS

TOTAL TAXES DUE
31990.71

REAL ESTATE

STATEMENT #
21046

GENERAL TAX BREAKDOWN

STATE
302.35

COUNTY
5852.86

TOPEKA CITY
8960.33

21046

TOWNSHIP

SCHOOL
14565.17

OTHER
4302.00

SOUTH VILLAGE
4637 S VILLAGE PKWY
TOPEKA KS 66609-1829

SECOND PAYMENT

FIRST PAYMENT

R021046 00001599536 P P
T 900103TMV20142212

FIRST HALF
INTEREST
SECOND HALF
INTEREST

15995.36
15995.35

SEE INSTRUCTIONS ON BACK SIDE

DO NOT REMOVE THIS STICKER

TESTIMONY RE HR 5039

NAME: STAN SIMON

REPRESENT: OWNERS OF 1,000 RENTAL UNITS WE MANAGE AND ONE 65,000 SQ. FT. SHOPPING CENTER WE MANAGE. I ALSO HAVE INFORMATION FROM OTHER OWNERS IN KANSAS CITY AND WICHITA AS OF 2/13/90.

POSITION: AGAINST RESOLUTION 5039'S CLASSIFICATION NUMBERS ON APARTMENTS.

WHY: VERY SIMPLY PUT, THE 20% CLASSIFICATION UNDERMINES THE ECONOMIC VIABILITY AND CONTINUED EXISTENCE OF THE MAJORITY OF PROJECTS I KNOW OF, OR HAVE INFORMATION ON. IT ALSO PREVENTS THE ACCRUAL OF CRUCIAL FUNDS FOR ROOFS, PAVING, FURNACES, APPLIANCES ETC., NOT AVAILABLE EXCEPT BY PUTTING AWAY MONTHLY REPLACEMENT RESERVES. IT ALSO DEPRIVES OWNERS OF EVEN MINIMAL RETURNS ON THEIR INVESTMENTS, AND IN MOST CASES WILL CAUSE NEGATIVE CASH FLOW, DETERIORATION, AND POSSIBLE FORECLOSURE.

- EXAMPLES:
1. CARRIAGE HOUSE, 282 UNITS, TOPEKA, KANSAS: AFTER 5 YEARS OF EXTREME NEGATIVE CASH FLOWS IN 1990 PROMISES A CASH FLOW OF \$110,000 OR SO IS EXPECTED, BEFORE RESERVES FOR REPLACEMENT. 20% CLASSIFICATION PLUS THE 23 MIL 501 ANTICIPATED INCREASE IN MIL LEVY WOULD THROW IT INTO AN \$18,000 LOSS, CANCEL CHANCES FOR RESERVES, AND ELIMINATE ANY RETURN TO INVESTORS. CONTACT DICK ANDERSON 800-821-7195.
 2. PINES APARTMENTS, 200+, TOPEKA, KANSAS. NOW JUST GETTING CLOSE TO BREAKING EVEN AFTER 4 YEARS OF NEGATIVE CASH FLOW. 20% CLASSIFICATION OR EVEN 15% WOULD THROW IT INTO LARGE LOSSES. AGAIN CONTACT JOE BALESTRASSE, PROPERTY MANAGER, 816-474-5080. RESULT, NO REPLACEMENT RESERVES, AND NO CASH FLOW TO INVESTORS, AND ON TOP OF THAT, LARGER NEGATIVE CASH FLOW, THREATENING THE SURVIVAL OF THE PROJECT. 23 ADDITIONAL MILS FOR 501 MAKES IT EVEN WORSE.
 3. CHALET, 250+ UNITS, TOPEKA, KANSAS. CONTACT JOE ANDERSON, PROPERTY MANAGER, 913-661-0330. LOST \$14,000 IN 1989. 20% CLASSIFICATION WOULD THROW IT INTO A VERY LARGE AND DANGEROUS NEGATIVE CASH FLOW, WITH NOTHING GOOD IN SIGHT. 23 MILS ADDITIONAL FOR 501 WOULD PUT ANOTHER NAIL IN THE COFFIN.
 4. ARROWHEAD, 436 UNITS, KANSAS CITY AREA. \$112,000 NEGATIVE CASH FLOW IN 1989. 20% OR EVEN 15% WOULD THROW IT INTO MASSIVE LOSS, AND EVEN POSSIBLE BANKRUPTCY. JOE ANDERSON, PROPERTY MANAGER, 913-661-0330.
 5. FORREST GROVE, 132 UNITS, WICHITA, KANSAS. \$16,600 POSITIVE CASH FLOW IN 1989. NOT ENOUGH TO FUND RESERVES, GIVE INVESTORS A RETURN, NOW. 20% CLASSIFICATION WOULD GIVE IT A LARGE NEGATIVE CASH FLOW AND ENDANGER ITS FINANCIAL EXISTENCE. VIRGINIA SPEERS, PROPERTY MANAGER, 316-686-0019.

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Attachment 6

6. CHERRY HILL, 348 UNITS, WICHITA, KANSAS. WITH \$35,000 SO CALLED WINDFALL AND TAXES IN 1989 OF \$108,516, IT LOST \$29,000. 20% OF EVEN 15% CLASSIFICATION WOULD THROW IT INTO A MASSIVE NEGATIVE CASH FLOW.

7. SUNDANCE APARTMENTS, 496 UNITS, WICHITA, KANSAS. 1989 TAXES WENT DOWN FROM \$202,296 TO \$159,170 CASUING A SO CALLED \$43,000 WINDFALL, AND A CASH FLOW OF \$27,947. 15% OR 20% WOULD THROW IT INTO A MASSIVE NEGATIVE CASH FLOW, ZERO RETURN TO INVESTORS, AND A FRACTION OF THE MONEY NEEDED FOR RESERVES TO KEEP IT FROM TURNING INTO A SLUM, OR EVEN WORSE, BANKRUPTCY, BECAUSE THE LOSS CAUSED BY THE NEW 15% OR 20% CLASSIFICATION.

8. UNDISCLOSED NAME, 253 UNITS, WICHITA, KANSAS. TAXES DROPPED BY SO CALLED WINDFALL FROM \$108,692 TO \$73,706, YET THE PROJECT STILL EXPERIENCED A (\$105,416) NEGATIVE CASH FLOW. 15% OR 20% CLASSIFICATION WOULD THROW IT INTO BANKRUPTCY.

9. BROOKWOOD APARTMENTS, 109 UNITS, TOPEKA, KANSAS. 1989 TAXES WERE \$33,619.15. 20% CLASSIFICATION WOULD INCREASE THEM TO \$56,031. IF 501 GETS THE 23 MILS IT NEEDS, TAXES IN 1990 WILL BE \$64,303. THE \$56,031 1990 TAXES CONFISCATES ALL BUT \$2,942 OF THE 1989 CASH FLOW, TOTALLY DEPRIVES THE OWNERS OF ANY CASH RETURN ON THE \$475,000 INVESTED, AND DEPRIVES THE PROJECT OF \$24,307 NEEDED FOR REPAIR AND REPLACEMENT. THE \$64,303 TAXES PUTS THE HEALTHY BUT STRUGGLING PROPERTY INTO A (\$5,330) NEGATIVE CASH FLOW, AND BANKRUPTCY, PHYSICALLY AND FINANCIALLY. 15% CLASSIFICATION FOR APARTMENTS WOULD ALSO LEAVE THE PROJECT IN DIRE CONDITION FINANCIALLY.

10. SEE ATTACHED (10).

11. EASTBORO SHOPPING CENTER. TRAGIC COMEDY OF APPRAISAL ERRORS, AND THE 30% CLASSIFICATION DISASTER. 1988 INCOME APPROXIMATELY \$15,000 PLUS. 1989 INCOME NOT CLEAR, DUE TO EXTENSIVE REHAB. 1990 INCOME APPROXIMATELY (\$14,200) LOSS, BEFORE PARTIAL RECOVERY FROM MARGINAL TENANTS, (\$6,005) NEGATIVE CASH FLOW IF CAN COLLECT FROM ALL TENANTS. IF 501 ADDITIONAL MILS GOES THROUGH, THE LOSS GOES TO (\$19,830) PER YEAR, BEFORE COLLECTION FROM TENANTS, OR (\$11,501) LOSS IF SUCCESSFUL IN COLLECTING TENANTS SHARE.

FACT: COMMERCIAL AND APARTMENT PROPERTIES DO NOT HAVE THE FINANCIAL CAPABILITY TO SUPPORT SCHOOLS AND MUNICIPALITIES, AND STILL REMAIN VIABLE.

FACT: DEFERRED MAINTENANCE HAS TO BE ADDRESSED, AND REPLACEMENT RESERVES USED AS THE LEGITIMATE EXPENSES THAT THEY MOST CERTAINLY ARE. A RETURN ON INVESTMENT MUST BE ALLOWED FOR AND PROTECTED.

FACT: PROPERTY OWNERS MUST BE PROTECTED FROM UNJUST, UNREALISTIC TAX PROCEDURES THAT RESULT IN CONFISCATION OF FUNDS, AND BANKRUPTCY OF THEIR PROPERTIES, AND OR LOSS OF ANY RETURN ON THEIR INVESTMENT.

FACT: THE EXAMPLES HERE ARE JUST THE TIP OF THE ICEBERG. TAX PROCEDURES BEING CONSIDERED IN 5039 WOULD RESULT IN LOSS OF HUNDREDS OF BUSINESSES AND WHOLESALE MOVE OUT OF GOOD FIRMS AND PEOPLE FROM THE STATE OF KANSAS.

FACT: ALTERNATE SOURCES OF TAXES MUST BE FOUND NOW! NOT SOME TIME IN THE FUTURE. THE CRISIS IS NOW!

FACT: NET RESULT, IF THE PRESENT PURSUIT CONTINUES, CAN BE A DECLINING, FINANCIALLY SHAKY STATE OF KANSAS, WITH NO NEW BUSINESSES OR VIBRANT PEOPLE COMING IN, NO GROWTH, NO BRIGHT FUTURE, AND THE CREATION OF VAST DETERIORATING MULTI-HOUSING AND COMMERCIAL REAL ESTATE SLUMS. FROM JUST THE FEW PROPERTY OWNERS I HAVE CONTACTED, THIS PREDICTION IS A TRUE THREAT TO ALL OF US, NOT JUST WORDS!!!

WHAT NOW? WE CAN WIN THE WHOLE BALL GAME! WE DO NOT HAVE TO GO ON WITH THIS TRAGEDY IN THE MAKING!!!

HOW? SIMPLY ADOPT THE "CITIZENS FOR FAIR TAXATION" CONSTITUTIONAL AMENDMENT. (ATTACHED) IT CLEANS UP THE WHOLE MESS AND FOSTERS AN EXCITING WONDERFUL BRIGHT FUTURE OF GROWTH AND PROSPERITY FOR ALL KANSANS.

FINAL: THE DEEPER I PROBE THE MORE IT BECOMES EVIDENT THAT THE "CITIZENS" APPROACH IS THE ONLY GOOD SOLUTION I HAVE SEEN, WHERE EVERYONE CAN COME OUT A WINNER. SCHOOLS, CITIES, AND THE GOOD STATE OF KANSAS.

10. HARRISON PLACE. THIS NICE PROJECT IS ON THE ROPES. 15% OR 20% CLASSIFICATION WILL PUSH IT TO BANKRUPTCY. INCIDENTALLY, THIS PROJECT SERVES THE POOR, THE YOUNG, THE ELDERLY, AND THE HOMELESS. ITS RENTS ARE \$239 ALL BILLS PAID EXCEPT PERSONAL ELECTRIC (HAS GAS HEAT). IT IS IMMACULATE. IN 1988 THE TAXES WERE \$38,698.77. THE PROJECT HAD A (\$28,870) LOSS. IN 1989, THE TAXES WERE \$35,323.29 WITH THE SO CALLED WINDFALL. THE PROPERTY HAD A (\$17,673) LOSS. IN 1990 IF INCOME AND EXPENSE STAY AS THEY ARE, MORE OR LESS, AND WE GET 20% CLASSIFICATION, THE PROPERTY WILL UNDOUBTEDLY LOSE (\$30,400+). IF THE MIL LEVY GOES UP 23 MILS FOR 501 AND THE CLASSIFICATION FOR APARTMENTS GOES DOWN TO 15% THE PROJECT WILL HAVE A NEGATIVE CASH FLOW OF (\$33,021.84). THIS IS A REAL LIFE EXAMPLE. A TRUE VISION OF AN APPROACH TO TAXATION THAT DOESN'T WORK IN THE REAL WORLD.

SAVE OUR HOMES! SAVE OUR BUSINESSES! SAVE OUR FARMS!



"Citizens For Fair Taxation" Ask your support for a Constitutional Amendment to set a cap on taxes at:

- **HOMES - 1% of Appraised value**
- **COMMERCIAL - 1 1/2% of Appraised value**
- **AGRICULTURAL - Appropriate cap based on use value**

EXAMPLE: A home appraised by County Appraiser at \$50,000 X 1% = \$500.00 taxes.

Additionally the real estate taxes would be capped to allow no more than a 3% increase per year.
On the above example taxes could increase no more than \$15.00 for the succeeding year.

CALL YOUR LEGISLATORS!

**TELL THEM YOU WANT THE CONSTITUTIONAL AMENDMENT PLACED ON THE
BALLOT AT THE FIRST OPPORTUNITY TO ALLOW THE CITIZENS OF KANSAS
TO VOTE ON THIS ISSUE.**

Members of the Assessment and Taxation Committee

February 8, 1990

Hearing on HCR 5040

Testimony by Dee McKee, Commissioner, Ford County, Kansas

I appreciate the opportunity to appear before this distinguished committee as you deliberate the difficult issue of taxation and more especially the funding of local government in Kansas for the future.

There is wide agreement among commissioners that local government can not fairly function by drawing so heavily on property as the major source of funding. However, the roll back proposed in HCR 5040 is not the responsible way to approach the problem and I want to elaborate on that item.

In the past three years since I was elected, things have changed dramatically at the local level. Our Ford County budget in '84 contained nearly one and one half mills of Federal Revenue sharing dollars. These were used mainly in the total operation of the Ford County landfill. That funding, at this time, has been totally withdrawn and those expenses have been drawn from resources and funding increases. During that same time the following areas have required expansion, often by mandate of state or national government.

1. Reappraisal - companioned with computers, personnel - state reimbursement did not cover all costs. Additional hearings of special session. Treasurer manpower.
2. Title Three - Hazardous waste management equipment and training.
3. District courts - Imposition of additional parole officers unbudgeted mid year 1988 requiring additional space and equipment.
4. Community Corrections - Local responsibility given to counties by state. Support funding will be necessary.
5. Water plan - Local match will be required to participate.
6. Landfill - EPA requirements for test wells; underground tank modification.
7. Highway program - System enhancement requirement of local funding to participate.
8. Law enforcement - Drug control - Mental health expansion

This is not an exhaustive list; I only attempted to highlight the major areas where in just the past three years counties have been asked to or required to assume responsibility for the local service to taxpayers at ever increasing costs. The emphasis here is, as the governor has recognized, the property taxpayer cannot be expected to sustain the responsibility for these programs and also the massive increases in costs that have occurred in education.

Local government, however, needs the flexibility to respond to the real and diverse issues in their jurisdiction. I believe that the proposed roll back will be devastating to our conservative long range planning. Further, a 20% roll back on properties that are not even in tax dispute makes little sense. Ford County has had experience with local intangibles tax. It is a pitiful way

to at local citizens. Here will we be in ten years if you start the road-
poc of taxing differences? If the state is truly interested in the future
and in long range economic growth they will not create a situation that will be
a monster in the future. The astute citizen can maneuver through the obstacle
course and protect his losses by creating artificial economic shifts. The
local sales tax will only address part of our counties' budget losses, but will
be totally useless to the smaller rural counties. It is foolish to think that
the tax payers would, with the current attitude toward taxes, (in part a media
event and not based on reality) vote for the sales tax in my county. Where
does that put those required efforts that were previously listed?

RECOMMENDATION: Without the expense of a constitutional amendment
resolve to move education costs to income and/or sales tax and accomplish
what has already been established as the broadbased desire of the people which
is to give that relief to property tax payers. Leave the current property tax
base intact for the operation of service government - firefighting, ambulances,
roads, etc. We have had budget hearings where in the past year the people came
and argued that we should raise the mill levy to move our county into the 21st
century. Across the board decisions based on averages are most irresponsible
and unfair to the individual situations that exist in diverse areas of this
great state. This shift to education, depending on the strength of the funding,
could relieve a significant amount of property tax stress (up to 60% in Ford
County).

As legislators, you will:

- give a clear signal to tax payers that you have addressed their concerns.
- have only one area in the future to review and consider when reviewing the appropriation of funds collected
- avoid a multitude of specific damages that across-the-board roll backs will cause to local operations of taxing districts you probably have not even heard from yet; e.g., townships, hospital districts, libraries, mental health, historical, cemetery, flood, etc.

This will also eliminate the injection of another obstacle on local governments in forcing the scramble for alternate sources of funding.

NOTE: Figures being reviewed by the Legislature are taken from an August 1989 abstract. Since then, we have had significant reductions in "TOTAL" valuation. An additional \$200,000 in valuation has been removed from our County since the special session extended the 1989 hearings. This revenue loss can not be generated since taxes were charged on a mill levy that no longer exists. This is, in effect, a reduction of taxes already budgeted by local entities, and may in itself make some adjustment necessary next year.

I appreciate this opportunity to share these concerns and look forward to working with this legislature in addressing this issue in the coming year.

Dee McKee
RR2, Box 25
Spearville, KS 67876
316-385-2817 (home)
316-227-4500 (courthouse)



League
of Kansas
Municipalities

Municipal
Legislative
Testimony

An Instrumentality of its Member Kansas Cities. 112 West Seventh Street, Topeka, Kansas 66603 Area 913-354-9565

To: House Committee on Taxation
Re: HCR 5040--Constitutional Property Tax Lid; Governor's Proposition 13
From: E.A. Mosher, Executive Director, League of Kansas Municipalities
Date: February 8, 1990

On behalf of the League of Kansas Municipalities and its member cities, I appear in opposition to HCR 5040.

Some general observations about the environment within which we consider a proposed constitutional property tax lid seem important. The first deals with tax levels. As you know, the total property tax burden in Kansas increased 6.2%, comparing 1989 with 1988 tax levies--slightly less than the 1988 increase of 6.3%, and less than the 1987 increase of 7.8%. But the median 1989 increase in the 105 counties was 2.6%, significantly less than the rate of inflation. Further, if the six larger counties of Douglas, Johnson, Leavenworth, Sedgwick, Shawnee and Wyandotte are excluded, the percentage increase in 1989 taxes was only 2.45%, not 6.2%.

We emphasize that **total tax levels did not** cause much of the concerns you have heard in recent months as to major increases on individual properties, or on classes of properties. If the total taxes on a certain piece of property increased 250%, a 20% reduction in total taxes, as proposed by the Governor, would reduce that property owner's taxes by 20%, but still leave a 200% tax increase. Absent other changes, a tax lid limit in itself does not address inequities that may exist in the fair distribution of property taxes.

A second important environmental factor in considering a constitutional lid deals with the matter of who does what, for whom, in Kansas? Admitting our own bias, we would note that the great bulk of those public services that directly affect the lives of people, and their property, are provided not by the state, and not by our national government, but by our local governments.

For example, education is essentially a function delivered by local government in Kansas--just two of our 304 unified school districts have an enrollment in excess of the attendance of all the state Board of Regents institutions together. Nearly 92% of all the public highways in Kansas are local roads and streets, which carry about 50% of all the vehicle miles of travel. Police protection and fire protection, public water supply, storm drainage, sanitary sewers and treatment, refuse collection and disposal, library services, parks and recreation--these type of public services are local services.

Excluding the important social welfare service system, most of the essential services and facilities, and the infrastructure, which permits a society and an economy to function, are provided by our cities and counties and school districts and other local governments.

President: Irene B. French, Mayor, Merriam * Vice President: Frances J. Garcia, Mayor, Hutchinson * Directors: Ed Ellert, Mayor, Overland Park * Harry Felker, Mayor, Topeka * Greg Ferris, Councilmember, Wichita * Idella Frickey, Mayor, Oberlin * William J. Goering, City Clerk/Administrator, McPherson * Judith C. Holinsworth, Mayor, Humbolt * Jesse Jackson, Mayor, Chanute * Stan Martin, City Attorney, Abilene * Richard U. Nienstedt, City Manager, Concordia * Judy M. Sargent, City Manager, Russell * Joseph E. Steineger, Mayor, Kansas City * Bonnie Talley, Mayor, Garden City * Executive Director: E.A. Mosher

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The point we would emphasize here is that the property tax is the bulwark of local government in Kansas. Notwithstanding good intentions, we need to be very careful as to how we restructure local government financing, for this will also affect the distribution of the duties and responsibilities of the state and its local governments. One can suspect that public functions which can no longer be performed locally, because of the financial inability of local governments to do so, will become state government functions. Clearly one way to reduce local property taxes is to provide for state takeover of the programs and services now paid for by locally-levied taxes. We suggest that HCR 5040 will lead us a step in that direction, wittingly or not, as well as lead to the decline of local government as an active partner in serving the public--our mutual constituency.

Before discussing some of the policy aspects of a constitutional tax lid, I need to confess that I do not believe the property tax is as inherently bad as many opponents to it express. A revenue source that produces about \$1.6 billion in Kansas can't be all bad! If nothing else, it has made possible the development of what is considered to be a state with reasonably strong and effective local government.

Reducing property taxes by 20%, as proposed in HCR 5040, would require massive replacement revenue, absent similar massive cutbacks in local expenditures and services. A 20% reduction of the approximate \$1.6 billion property tax total in 1989 would amount to about \$315 million. **See Note.** We are aware that the Governor plans to appoint a commission to study the "wide array of public policy questions that arise" on HCR 5040, including replacement revenue sources. Further, the Governor has suggested a 1.5% sales tax increase, thus increasing the "statewide" tax rate to 5.75%. Since more than half of all Kansans live in a city and/or county with a combined local sales tax rate of 1% or more, the typical tax rate would be at least 6.75%. In 17 cities, like Kansas City, and in Jackson County, the total rate would be 7.75%.

These facts are mentioned simply to illustrate the difficulty encountered in finding about \$315 million (**See Note**) in replacement revenue. Without a "redistribution of wealth" state aid program possible only from increased state taxes, there simply are no easy ways to find non-property replacement revenue for many of our local units, especially for many small units. The job of the commission proposed by the Governor would be formidable--at least if the commission is to come up with proposals that will receive a majority vote in both houses.

Given these realities, and with the future of local government and local services at stake, we think it would be extremely unwise--even reckless--to freeze some broad policy objective in the Constitution, absent known revenue alternatives, which are on the table. Put another way, we think the better approach would be to develop the financing plan first. Failing to put the package together in advance would be similar to voter propositions held in Shawnee County some years ago, where the voters approved tearing down the old courthouse, but at the same election, refused to approve bonds to construct a new one.

Beyond the package approach, however, is the basic public policy question as to whether we should freeze into the Kansas Constitution any tax lid limit. If I were a state legislator, I would resent the implication that the state legislature is incapable of dealing with this matter, or can't be trusted to do so, and therefore the voters must take charge by referendum.

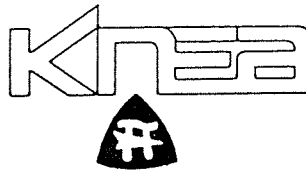
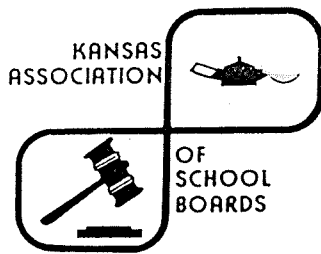
Some of you may recall that the League several years ago opposed putting into the Constitution more tax exemptions and the detailed classification of property for tax purposes, but suggested instead that the legislature be granted the constitutional authority to deal with these matters. We were not confident that fixing 12% or 20% or 30% ratios in the constitution, or specifying certain exemptions, would serve us well in the future. Similarly, we now question the wisdom, as a long-term public policy, of adding to the constitution some 474 words relating to a lid on property taxes. The advocates of HCR 5040 must have a crystal ball showing the nature of the economy and public needs in Kansas in the future that is not shared by municipal officials.

Finally, we would urge both those on the second and third floor of the capitol to help make local, representative government work, rather than frustrate the system by tax lids. We don't think local officials are "addicted" to the property tax--they would like to see it reduced. But if they are "addicted", it's because the public is also "addicted" to what the property tax buys--a teacher, a policeman, or a swing in the park. We think additional state aid and shared taxes, and additional local revenue source options, will help local representative government work, and reduce property taxes. We think HCR 5040 will present only problems, not solutions.

Note: HCR 5040 would provide that 1991 tax revenues not exceed "80% of the amount raised in tax year 1989". The word "raised" normally means received or collected, not levied. Further, line 25, on page 1, refers to "produced", which normally means collected, not levied. No statewide data is available as to property taxes actually "raised" or "produced". If the intent was to base the lid on taxes levied, the reductions would be as follows:

--20% of \$1,480,258,946 general property taxes levied in 1988 is \$296,052,000

--20% of \$1,571,562,775 of general property taxes levied in 1989 is \$314,313,000.



Joint Testimony on HCR 5040

before the
House Taxation Committee
February 8, 1990

Presented By

United School Administrators
Kansas Association of School Boards
Kansas-National Education Association
Schools for Quality Education
Schools for Equal Education in Kansas
Blue Valley USD 229
Wichita USD 259
Topeka USD 501
Shawnee Mission USD 512

Mr. Chairman and members of the committee, my name is Craig Grant representing Kansas-NEA. My testimony today, however, represents the collective views of those organizations listed above and illustrates once again the common view of the education community toward many of the tax issues we have faced during the early part of the 1990 legislative session. Unfortunately, we find ourselves faced once again with a solution that, from our viewpoint, is worse than any problems that may exist.

House Concurrent Resolution 5040, the so-called Kansas Proposition 13, would ask us to support a 20% rollback in property tax revenues for each Kansas school district, in exchange for the vague promise of alternative revenues yet to be developed. The property tax rollback would be enshrined in the Kansas Constitution while the alternative sources would be subject to some future legislative action. In the interest of insuring that our elementary and secondary education system remains one of quality and seeks to achieve excellence, we can find no merit in such a trade off.

When the first Proposition 13 was enacted in California, it was enacted as a statutory measure through the initiative process, not as a constitutional amendment. All of the information we have been able to gather about the California experience leads us to believe that that proposition has had a devastating and long term detrimental effect on the quality of the California system of education. Much of the negative effect is due to the fact that the proposed alternative sources of revenue for school funding never materialized.

Enshrining a measure such as HCR 5040 in the Kansas Constitution would unnecessarily tie the hands of units of local government and future legislatures and Governors when faced with difficult fiscal choices. We believe that the goal of HCR 5040 as we understand it is a laudable one. We

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have long argued that the level of reliance on the property tax for school funding is inappropriate. However, no constitutional amendment is necessary to address this issue.

Reliance on the property tax in education funding could be sufficiently reduced to achieve the same intent as HCR 5040 by raising state resources through the sales and income tax and applying them through existing distribution formulas to reduce property taxes in 1990, rather than waiting for a flawed constitutional amendment which would not effect the general level of tax relief until 1991.

If the concern of the legislature is with the relative tax burden of various classes of property taxpayers, then HCR 5040 does nothing to alleviate these concerns. It merely perpetuates the inequities at a lower level of overall taxation.

We also believe it is inappropriate to include a term such as the "annual rate of inflation" in the Kansas Constitution. As you know, there are numerous indicators which are utilized for various purposes to describe the rate of inflation in this state and nation. This amendment would leave to the legislature the burden of determining each year which of those indicators would be used and would lead to political maneuvering by interest groups to use the indicator most favorable to that interest.

For these reasons, Mr. Chairman, we would urge the Committee to reject the simplistic approach to the present tax concerns found in HCR 5040 and get on with searching for concrete long term solutions to the problems associated with the financing of local government, including our elementary and secondary schools. We have presented what we believe is a viable option and pledge our support to you in considering any others which may emerge. We thank you for your consideration of our comments, and I would be happy to attempt to answer any questions.



"Service to County Government"

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Wabaunsee County Commissioner
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Executive Director
John T. Torbert

February 13, 1990

TESTIMONY

To: House Taxation Committee

From: John T. Torbert
Executive Director

Subject: H.C.R. 5040 (Constitutional Property Tax Rollback)

The Kansas Association of Counties is opposed to H.C.R. 5040. This proposal takes what has been traditional local government budget authority and shifts it to the state capital. It substitutes the judgement of locally elected officials with state control. By so doing, it will inhibit our ability to finance even the most basic of local services.

We oppose the amendment based on several grounds. Our first objection is a philosophical one. Kansas is generally considered to be a strong state for home rule. This amendment takes the theory that locally elected officials are capable of making local decisions and stands it on its head. Instead of home rule and local determination, we have state imposed taxing sanctions. County officials (as well as city and school officials) are more than willing to make tough budget and spending decisions and defend them to the local electorate. If we get out of line, the electorate can exercise the ultimate control- that of the voting booth.

Secondly, while the proposal purports to be a 20% rollback, in reality, the percentage could be much greater. As the proposal currently stands, taxes levied in 1991 could not increase by more than 20% over 1989 levels. However, no inflation factor is built in for the 1989 and 1990 tax years. In 1989, inflation increased by approximately 4.5%. If we assume a similar rate of inflation for 1990, suddenly instead of a 20% rollback, we have a 30% inflation adjusted rollback.

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I have heard legislators say many times in recent weeks that if I had only known what the impact of reappraisal and classification was going to be, I never would have voted for it. Or, we should have waited to see what shifts were actually going to occur before putting classification percentages in the constitution. I would submit to you that this proposal contains exactly the same pitfalls. You are being asked to change the constitution before we really have a clear idea of the full impact of reappraisal and classification and without any clear direction whatsoever as to where replacement revenues will be found.

This amendment will impact the 105 counties of the state in far different ways. For the fiscal year that we are in right now, the reliance of county budgets on the property tax was an average of 46.5%. That 46.5 average is very deceptive however. It reflects a range of property tax reliance from a low of 31.1% in Riley County to a high of 79.9% in Coffey County. The wide range is a result of many factors of course- property values, sales tax revenues, oil and gas revenues, state and federal assistance, the amount of tax exempt property, intangibles taxes and other less measurable causes such as tradition and politics. The Governor's "Blue Ribbon Task Force" will need the wisdom of Solomon to devise a scheme that will be workable given the extremes that we have.

Some counties of the state have a good population base or, they have a strong retail trade area that potentially could generate a significant portion of sales tax revenue. But for the county that is not a retail area or doesn't have much of an income base that could be taxed, they simply will not be able to make up a 25-30% cut in property taxes using the traditional types of replacement revenues. You can't get from here to there.

The proposal has also been sold as providing flexibility by allowing local governments the ability to attempt to opt out of either the rollback or inflation growth lid provision or both with the approval of a vote of the people. I would submit that what is marketed as flexibility is in reality windowdressing that looks good and sounds nice but simply will not work. Citizens are confused right now. Most don't understand the intricacies of reappraisal and classification and most probably don't care. But, if their taxes went up (and even if they went down in some cases,) they know that they are not supposed to be happy with the new system. Under this anti-tax climate, to expect the voters to approve what are potentially thousands of requests statewide to opt out of this system is wishful thinking at best. We are approaching the point with some of these proposals of making each and every spending decision of local government subject to micro-management by a vote of the people. The legislature does not run its business that way and we should not have to either. It sounds great in concept but the states that have tried it will tell you that it does not work.

Please focus on what this proposal asks local government to accept. We are told to roll back taxes by the equivalent amount of about 30% but promised that a yet unnamed and unknown "Blue Ribbon Task Force" will first of all be able to determine if there is a way of making up this lost revenue in each and every major local taxing jurisdiction. Then, we are to accept that the task force will be able to reach agreement among themselves on proposals. Then, we are asked to accept that after both of those things have happened, the legislature will be more than happy to grant their approval. To accept all that takes three leaps of faith. Pardon us if we are not jumping with glee about our prospects under this amendment.

At the same time the Governor recommends an "iron-clad" tax lid and a property tax rollback, there has been no discussion at all about the issue of state mandates. This area has become more and more critical because the impact of combining unfunded mandates with tax lids and rollbacks in a continued erosion of discretionary spending to the point where essential service levels will have to be reduced.

There are things that can be done to ease the property tax situation without going to this drastic of a measure. First of all, there are many proposals on the table now for alternative revenues. All of these deserve a fair hearing and many of them, if passed, would go a long way towards reducing the property tax burden in some areas. Secondly, help us with mandates. The Governor, in a speech yesterday to county officials indicated that he could potentially be supportive of restrictions on state mandates. We hope that he will endorse a proposal that the senate local government committee has under consideration. Third, we need some time to continue to improve and correct reappraised values. Much has been done in that regard but much still needs to be done. Give us some time and help to make this system work.

I would close by relating to you a conversation I had recently with a county official in California. She related to me that prior to Proposition 13, they considered the state of California to be a trend setter. Now, years later they consider themselves to be "also rans." They are not leading, they are following. Proposition 13 shifted local control to state control. Sales taxes and user fees are among the highest in the country. Local governments are strapped financially and at least one county is on the verge of declaring bankruptcy. Kansas deserves a better future than it will have if we follow the example of a failed experiment in tax control.

tsjconjbb



CITY OF TOPEKA

Harry "Butch" Felker, Mayor
215 E. 7th Street Room 352
Topeka, Kansas 66603
Phone 913-295-3895
Fax Number 913-295-3850

TO: HOUSE COMMITTEE ON TAXATION
RE: HCR 5040--CONSTITUTIONAL PROPERTY TAX LID; GOVERNOR'S
PROPOSITION 13
FROM: HARRY "BUTCH" FELKER, MAYOR OF THE CITY OF TOPEKA, KANSAS
DATE: FEBRUARY 8, 1990

I AM SPEAKING ON BEHALF OF THE CITY OF TOPEKA IN SUPPORT OF THE LEAGUE POSITION JUST PRESENTED BY MR. ERNIE MOSHER.

OUR GOVERNING BODY WILL SUPPORT ANY LEGISLATION WHICH WILL ALLOW CITIES TO CHART OUR OWN DESTINY. THROUGHOUT THE SESSION YOU WILL HEAR FROM US WHENEVER ALTERNATE SOURCES OF REVENUE ARE PROPOSED. WE MUST REDUCE THE RELIANCE ON PROPERTY TAX BUT WE CAN NOT CRIPPLE OUR OPERATION. IN TOPEKA A 20% REDUCTION IN PROPERTY TAX INCOME RELATES TO A 30% REDUCTION BECAUSE OF OUR DEBT SERVICE SITUATION. SOME 1/3 OF OUR PROPERTY TAX INCOME IS PLEDGED TO BOND AND INTEREST PAYMENTS.

WE ALSO FEEL THE TERMS PRODUCED AND LEVIED NEED FURTHER REFINEMENT IF THE RESOLUTION MOVES FORWARD.

SINCERELY,

Harry "Butch" Felker
HARRY "BUTCH" FELKER
MAYOR

2/14/90
Attachment 11

LWVK LEAGUE OF WOMEN VOTERS OF KANSAS

Feb. 8, 1990

To: House Assessment and Taxation Committee
Rep. Keith Roe, Chairman

I am Mary Ella Simon speaking for the League of Women Voters of Kansas in opposition to HCR 5040 which would limit the ability of local governments to raise property taxes for local services.

The League supports a broad based tax system with diverse sources of revenue, a system that is equitable, provides adequate revenue, and is effectively and economically administered.

We believe there should be a balance between income, property, and sales tax -- with food and drugs exempt -- collected by the state and used for state services.

Property taxes collected by counties, cities, school districts and community colleges should be available for local services such as fire and police protection, libraries, schools, and capital improvements. We oppose putting a constitutional cap on these local taxes.

We believe that it is not good policy to clutter the Constitution with percentage rates and exemptions that could be handled statutorily through rules and regulations. We ask the committee to vote against HCR 5040.

Thank you,

Mary Ella Simon
Lobbyist, LWVK

Mary Ella Simon

2/14/90

Attachment 12

FEBRUARY 8, 1990

**TESTIMONY TO THE HOUSE TAXATION COMMITTEE
ON HOUSE CONCURRENT RESOLUTION 5040
LINTON BARTLETT, CITY OF KANSAS CITY, KANSAS**

The City of Kansas City, Kansas opposes in principle, any property tax lid law such as that contained in HCR 5040. We believe that such a law would clearly violate the intent of constitutional home rule which allows for local officials to manage the affairs of their communities.

HCR 5040 would have a very adverse effect on City finances. The mandated 20% rollback in property taxes would mean a loss of approximately \$6.5 million in revenue in 1991 to the City of Kansas City. Such a reduction in revenue could only be made up for through a reduction or elimination in critical and essential services and programs. Also, the provisions of the proposed amendment which would limit revenues from rising more than the rate of inflation would cause additional financial problems as health care costs and contractual obligations have consistently risen by more than the rate of inflation in recent years. By placing a limitation on a primary source of revenue for the City, the property tax, the ability to meet those types of obligations would be in jeopardy without further cuts in programs and/or services.

The provision which would require voter approval of bonds before the mill levy could be raised to retire those bonds also is of great concern. The City has, in place, an ongoing six year capital maintenance and improvement program, supported by general obligation bonded debt, which is designed to aggressively deal with the problems associated with the aging infrastructure of an old city such as Kansas City. While this is a costly program, the program has greatly improved our infrastructure and made the City more attractive for development, both residential and commercial. The restrictions that HCR 5040 would place on the City's ability and flexibility to issue bonds would restrict this badly needed program. Additionally, the State's overall municipal bond ratings could be in jeopardy with the local referendum requirement.

The City knows the needs of Kansas City, Kansas and sets the funding levels for the services and programs in the budget accordingly, always mindful of the effect of that budget on the mill levy. While the City would like to reduce the burden of taxation on real property, the ever-increasing costs of providing vital public services mean that the City must have adequate revenue sources to meet those needs. Since ad valorem taxes are

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one of the primary means that local units have to raise revenue, a tax lid law would severely hamper the City's ability to provide those necessary public services. The City supports the concepts of diversifying local revenues with a local option earnings tax and increased sales tax authority; the proceeds from which would be used to reduce the tax burden on real property. Such alternative revenue sources would help to diversify the City's revenue base and make it less dependent on the property tax. The City believes that those alternative revenue sources must be in place before any possible tax lid is enacted.

The City of Kansas City, Kansas hopes that the House Taxation Committee carefully considers the detrimental effects that HCR 5040 would have both on the principle of home rule in Kansas and on the ability of local governments to raise revenue to provide the necessary services that local units provide on a daily basis to the citizens of Kansas. Also, the City is quite concerned about putting a tax lid into the constitution where it would be very difficult to change in the future should there be such a need. The City respectfully urges the Committee to act unfavorably on HCR 5040.

Thank you for the opportunity to express our opinion on this legislation.

LHB:me

STATEMENT
OF
IVAN W. WYATT, PRESIDENT

KANSAS FARMERS UNION
ON
HCR 5040

GOVERNOR'S PROPOSITION 13
BEFORE

THE HOUSE COMMITTEE ON TAXATION
ON
FEBRUARY 8, 1990

THE ORIGINAL INTENT OF CLASSIFICATION AND REAPPRAISAL WAS TO ESTABLISH A FAIR AND EQUITABLE TAX BASE TO SUPPORT LOCAL UNITS OF GOVERNMENT AND TO CONTRIBUTE TO THE FUNDING OF OUR LOCAL SCHOOLS.

HOWEVER, THIS WAS NOT THE FINAL RESULT. THE CHOICE GIVEN TO THE VOTERS TO VOTE ON IN 1986 WAS NOT REALLY MUCH OF A CHOICE. IT WAS EITHER ACCEPT THE CONSTITUTIONAL AMENDMENT OR ALLOW THE COURTS TO STEP IN.

IF THE ORIGINAL PROPOSAL OF THE CLASSIFICATION OF PROPERTY WITHOUT ANY EXEMPTIONS AND A TEN YEAR PHASE IN HAD BEEN PRESENTED TO THE VOTERS, I DON'T BELIEVE WE WOULD HAVE WITNESSED THE UPROAR OF DISMAY WE HAVE SEEN IN RECENT MONTHS.

THE CONSTITUTIONAL AMENDMENT OF 1986 WAS RIDDLED WITH EXEMPTIONS THAT SERVED TO GREATLY NARROW THE TAX BASE AND SHIFTED A GREATER SHARE OF THE TAX BURDEN ONTO THE INDIVIDUAL CITIZEN AND BUSINESS PERSON.

HCR NO. 5040 DOES NOTHING TO CORRECT THESE INEQUITIES. IN FACT, IT LOCKS IN THESE INEQUITIES, SERVES TO AGGRAVATE THEM AND SHIFTS THE FUNDING OF LOCAL UNITS OF GOVERNMENT, IN MANY CASES, TO THE VERY PEOPLE WHO HAVE SUFFERED THE MOST FROM THESE INEQUITIES.

LET ME GIVE YOU AN EXAMPLE. FOR INSTANCE, OUT OF TWO DIFFERENT FIRMS IN TWO DIFFERENT COUNTIES, ONE HAD THEIR TAXES CUT BY 50%. THEN UNDER THIS PROPOSAL, THIS ONE FIRM WILL ALSO RECEIVE A 20% CUT FROM

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THEIR REDUCED 1989 TAXES.

IN THE OTHER COUNTY, THE OTHER FIRM SAW THEIR TAXES INCREASE \$15,000 IN 1989, EVEN AFTER APPEALING THEIR TAXES. UNDER HCR NO. 5040, THEY WOULD STILL HAVE, AFTER THE 20% REDUCTION, A TAX INCREASE OF \$12,000, WHICH WOULD TRIPLE THEIR 1988 TAXES.

THE VOTERS HAVE BEEN FOOLED ONCE, BUT THEY WILL REMEMBER 1989 AS THE YEAR OF TAX INEQUITIES. I DON'T BELIEVE PEOPLE WILL BUY A REHASH OF ANOTHER PROPOSAL THAT DOES NOTHING TO RECTIFY THE BASIC PROBLEM OF A NARROWED TAX BASE.

I REALIZE THE BAIT OF HCR 5040 IS THE CLAIM OF SHIFTING TO A DIFFERENT TAX SOURCE. HOWEVER, THE NEW SOURCES WHO MUST CONTINUE TO PAY THIS PRESENT TAX WILL REMAIN THE SAME. MOST COUNTIES AND MANY SCHOOL DISTRICTS WEST OF HIGHWAY 81, INCLUDING QUITE A NUMBER EAST OF HIGHWAY 81, HAVE ONLY LIMITED SOURCES OF INCOME TO TAX AND SOME HAVE VIRTUALLY NO SALES TO TAX. PROPERTY DOESN'T PAY TAXES; PEOPLE DO.

KANSAS RANKS 20TH IN THE NATION IN PROPERTY TAXES. THE PROBLEM IN THE ABOVE MENTIONED COUNTIES IS NOT SO MUCH TAXES, AS IT IS THE PROBLEM OF LOW COMPENSATION FOR WHAT THE PEOPLE IN THOSE COUNTIES PRODUCE.

IT IS OBVIOUS MANY PEOPLE IN THE RURAL COMMUNITIES REALIZE THE REAL TAX PROBLEM IS THE INEQUITIES OF A NARROWED TAX BASE. RATHER THAN SUPPORTING ANOTHER CONSTITUTIONAL PROPOSAL THAT SERVES TO LOCK IN THESE INEQUITIES, THE MEMBERS OF THE KANSAS FARMERS UNION CALL FOR THE ELIMINATION OF ALL EXEMPTIONS FROM THE PROPERTY TAX BASE INCLUDING INTANGIBLES, AND HOUSEHOLD PROPERTY OVER A GIVEN VALUE.

THE RESULTS OF A RECENT POLL OF KANSAS FARMERS INDICATE SUBSTANTIAL SUPPORT FOR THIS OPTION.