

Approved Wednesday, February 21, 1990  
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by SENATOR DAN THIESSEN at  
Chairperson

11:00 a.m. on Thursday, February 8, 1990 in room 313-S of the Capitol.

All members were present except:

Committee staff present:

Don Hayward, Revisor's Office  
Chris Courtwright, Research Department  
Tom Severn, Research Department  
Marion Anzek, Committee Secretary

Conferees appearing before the committee:

Bud Grant, KS Chamber of Commerce and Industry  
Dana Hummer, a citizen and taxpayer of Topeka, KS  
George Puckett, KS Restaurant Association  
Paul Fleener, Director of Public Affairs-KS Farm Bureau  
Bill Hancock, Commissioner 2nd District, Sedgwick County KS  
John Moir, Director of Finance, City of Wichita  
Murray L. Nolte, Chrm, Johnson Co. Board of Commissioners  
Ed Eilert, Mayor of City of Overland Park, KS  
Brian McNichols, Council Pres. for City of Lenexa, KS  
Monroe Taliaferro, Mayor of City of Prairie Village, KS

Chairman Thiessen called the meeting to order and said because so many conferees had to come a distance, the committee tried to accommodate them by moving to the Supreme Court room, and would ask that the conferees try to limit their testimony so the committee can hear as many as possible. He then opened hearings on HCR5040.

HCR5040:A PROPOSITION to amend article 11 of the constitution of the state of Kansas, relating to the taxation of property.

THE FOLLOWING CONFEREES ARE PROPONENTS OF HCR5040.

The Chairman recognized Bob Corkins, Director of Taxation, KS Chamber of Commerce and Industry. Mr. Corkins said he would like for Bud Grant to testify for KCCI instead of him. (ATTACHMENT 1)

Bud Grant, KCCI said regarding HCR5040 he is conveying the organization's support for the taxation principles contained within the proposal. He said 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.

He said HCR5040 is the only constitutional amendment proposed as of this date which can accurately make claim, that every aggrieved taxpayer can claim a benefit from a comprehensive reduction in local property tax reliance. He said, KCCI supports this general method of addressing the problem.

Dana Hummer a resident of Topeka, KS said he was here to testify in favor of the concept of Proposition 13. He said it gives KS voters the opportunity to decide if they want to reduce the reliance on local property taxes to fund local government. He said, each county would be allowed to decide whether it would stick with the property tax to fund its local governmental units or use alternative taxes. Other proposed amendments do not offer voters that choice. (ATTACHMENT 2)

THE FOLLOWING CONFEREES ARE FOR SOME OF THE CONCEPTS IN HCR5040 and OPPOSED TO OTHERS.

George Puckett, KS Restaurant Association opposes HCR5040. Although they 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. It is their belief that for as many small business people that are going through the hassle of trying

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 313-S, Statehouse, at 11:00 a.m./p.m. on Thursday, February 8, 1990

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. Many believed the solution would come before they had to pay the 2nd 25% of their tax statement coming due in March.

He said KSA would 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, and they support the concept of placing a cap on real property taxes. (ATTCHMENT 3)

Paul Fleener, Director of Public Affairs for KS Farm Bureau. He said, for many years the KFB testified on the need to reduce the reliance on property tax, and they are in favor of limiting the use of the property tax. He said USD's 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.

He said they are opposed to the lack of clearly identified source of revenue to replace the property taxes which would be alleviated. They believe there should be an identified source of revenue to be used in all taxing districts to reduce the property tax.

He said, they 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. (ATTACHMENT 4)

THE FOLLOWING CONFEREES ARE OPPONENTS OF HCR5040.

Bill Hancock, Commissioner 2nd District, Sedgwick County, Ks. said 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. (Attachment 5)

He proposed the Legislature separate the issues. He said, 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 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 he said, they are willing to accept that responsibility.

He said as a commissioner representing nearly 80,000 people in the 2nd district, he cannot let his constituents believe that a tax lid will solve their property tax dilemma. He proposed to the committee that the Legislature not institute a tax lid in any form, and 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. They support a decrease of the reliance on property tax, and diversification of the State's revenue source to support KS School Districts.

John Moir, Director of Finance, City of Wichita said in the case of the City of Wichita, the enactment of HCR5040 would reduce general property tax revenues by approximately \$8M per year. Starting in 1993 the City would lose an additional \$1.5M per year in motor vehicle property taxes which are related to the amount of general property taxes levied in the second preceding year.

He said, the City of Wichita is opposed to HCR5040 or any other tax lid legislation. He said a tax lid is contrary to the principle of home rule, undermines local decisionmaking, 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. (ATTACHMENT 6)

Murray L. Nolte, Chairman Johnson County Board of Commissioners, said 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%. He said, if we have learned nothing else from the reappraisal process, it should be clear that locking classification into the constitution was a mistake. Why then consider another opening of the constitution for an amendment which not only provides no solution to our current problem but promises further negative ramifications.

He said, as Mayor of Merriam he was involved in the reappraisal problems 20 years ago, and they had the option of Home Rule, and he asked the committee to consider leaving them that option again. (ATTACHMENT 7)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION,

room 313-S, Statehouse, at 11:00 a.m./~~p.m.~~ on Thursday, February 8, 1990

Ed Eilert, Mayor of City of Overland Park, KS said HCR5040 would constitutionally require "total tax revenues produced by any taxing district from tangible property to not exceed 80% of the amount raised in tax year 1989" He said, there may be some merit to less reliance on the property tax, but HCR5040 fails to get at the root of the current problem caused by deficiencies in the classification amendment.

He said, if steps are taken to correct the deficiencies in the classification amendment, such an extreme measure as represented by HCR5040 is unnecessary. (ATTACHMENT 8)

Brian McNichols, Council President for the city of Lenexa, KS and V.P. KS Association of Councilmembers and Commissioners said HCR5040 is ill-conceived, short-sighted and will have a devastating impact on service delivery provided by local units of government throughout the state. He said, a 20% rollback in Lenexa would produce a revenue short fall of \$1,783,045. plus decreases in revenue coupled with an additional decrease in motor vehicle tax, revenue would equal a short fall for Lenexa of \$2,421,445.

He urged the committee to tackle the real issue of inequity which is classification. He said classification must be left in the constitution to provide stability and consistency to businesses and local units of government, and asked the committee to allow local government officials to make those tough decisions regarding property taxes in their own unique communities. (ATTACHMENT 9)

Monroe Taliaferro, Mayor of the City of Prairie Village, KS. He said Prairie Village has one of the highest populations of senior citizens in Johnson County. He said if their revenue is cut by 20%, the city will have to replace \$400,000 in revenue or reduce city services by that amount. He said Local elected officials must have the ability to provide the services our aging population and community need and this bill would rob them of the right to make those decisions, local government officials need the flexibility to make the difficult revenue and expenditure decisions which allow them to meet the needs of their neighbors and to be accountable to them for those decisions. (ATTACHMENT 10)

Mark Butterfield, Mayor of Derby, KS said he is representing 18 cities of the second and third class in Sedgwick County through the Association for Legislative Action by Rural Mayors. He said 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 their citizens.

He said 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. Without the necessary revenue to repair and maintain existing infrastructure, cities and counties will, over the course of a few years fall into devastating disrepair which will cost billions of dollars to remedy.

He said they know the legislators jobs are not easy and asked the same consideration from the committee members. (ATTACHMENT 11)

After committee discussion Chairman Thiessen thanked all the above conferees and said for those that did not testify today, we would have another meeting in the future and they would be notified of the date, and the following conferees turned in written testimony but did not testify.

Lyle C. Davis, Cimarron, KS. (ATTACHMENT 12)

Kim C. Dewey, Sedwick County Manager (ATTACHMENT 13)

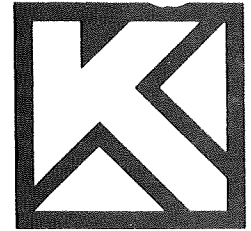
Chairman Thiessen adjourned the meeting at 12:25 p.m.



# 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

Senate Assessment and 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.

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.



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.

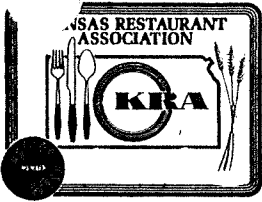


PATSY MC DONALD, THE CLERK OF SHAWNEE COUNTY, STATED THERE WOULD BE A 4.5 MILLION DOLLAR SHORTFALL FOR ALL ENTITIES IN SHAWNEE COUNTY. BUT THIS COULD BE MADE UP WITH A 1.5 CENTS SALES TAX.

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!



# 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.

Senate Assessment and Taxation Committee  
Thursday, February 8, 1990 ATTACHMENT 3



# PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON ASSESSMENT AND 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. Two hours ago we had the opportunity to share these thoughts with your colleagues on the House Taxation Committee.

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.

Senate Assessment and Taxation Committee  
Thursday, February 8, 1990 ATTACHMENT 4

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.



## 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

#### SENATE COMMITTEE ON ASSESSMENT & TAXATION

#### PROPERTY TAX CAP & LID PROPOSALS

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.

February 8, 1990

Page Two

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.

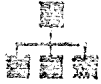
I propose to the Legislature that they not institute a tax lid in any form. I also propose that School Districts be funded with a combination of revenue, including a reduced portion or percentage of property tax, thus allowing increased accountability to the taxpayer. I support a decrease of the reliance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

# WICHITA



DEPARTMENT OF FINANCE  
OFFICE OF DIRECTOR  
CITY HALL -- THIRTEENTH FLOOR  
155 NORTH MAIN STREET  
WICHITA, KANSAS 67202  
(316) 268-4434

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.

Senate Assessment and Taxation Committee  
Thursday, February 8, 1990 ATTACHMENT 6

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>
<b>Total Park</b>	<b><u>\$512,770</u></b>

**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.

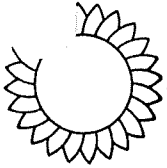
**ART MUSEUM:**

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).





February 7, 1990

SENATE ASSESSMENT AND TAXATION COMMITTEE

HEARING ON HOUSE CONCURRENT RESOLUTION 5040

TESTIMONY OF MURRAY L. NOLTE, CHAIRMAN  
JOHNSON COUNTY BOARD OF COMMISSIONERS

Mr. Chairman, members of the Committee. I have come 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.

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. 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.

Senate Assessment and Taxation Committee  
Thursday, February 8, 1990 ATTACHMENT 7

Testimony of Murray L. Nolte to  
Senate Assessment and Taxation Committee  
Page Two - February 7, 1990

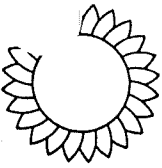
In addition to the growth factor, there is the question of state mandates to counties. I could give you a long list, but will assume you are aware of the responsibilities that the state has delegated to the local levels. If a constitutional amendment is appropriate to impose a tax lid, perhaps it should 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 Mayor of Merriam, I was involved in the reappraisal problems 20 years ago. I wrote to Senator Bennett to protest the budget lid being imposed at that time. His answer 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.

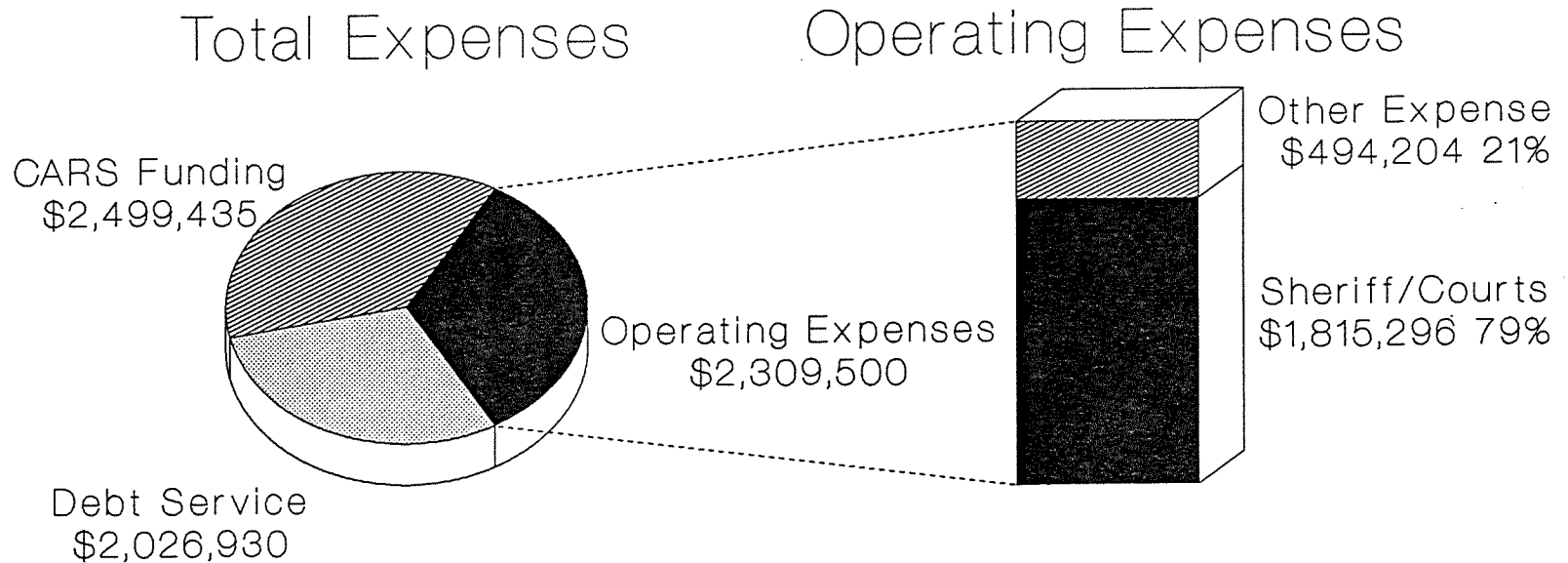
Finally, the Sheriff, District Attorney, and Courts operating budgets accounted for \$1,815,296, or 79%, of the \$2,309,500 operating budget increase.

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

2-4

# Cause of Increase in Ad Valorem Taxes

## 1990 Budget



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



**Overland Park**

TESTIMONY BY MAYOR ED EILERT  
CITY OF OVERLAND PARK

BEFORE THE HOUSE TAXATION COMMITTEE  
AND SENATE ASSESSMENT AND TAXATION COMMITTEE  
FEBRUARY 8, 1990

Good morning, Chairman <sup>Thurston</sup> ~~Ree~~ and members of the <sup>Senate</sup> ~~House~~ Taxation Committee. My name is Ed Eilert, mayor of the City of Overland Park. I appear today before you in opposition to HCR 5040.

In November of 1986, voters across the state of Kansas approved the "classification" amendment to the Kansas constitution, which mandated changes in the rates of assessment and exempted millions of dollars of property valuation. In the reallocation of the tax burden among classes of property, some shifts were expected. However, it was not until this past fall, when property tax bills arrived in mailboxes, that the full impact of this amendment was understood by the public. Horror stories of 200, 300 and 400 percent increases in taxes were not uncommon, and only point out the magnitude of the flaws and inequities within the system.

HCR 5040 would constitutionally require "total tax revenues produced by any taxing district from tangible property to

Senate Assessment and Taxation Committee  
Thursday, February 8, 1990 ATTACHMENT 8

not exceed 80 percent of the amount raised in tax year 1989." This represents a 20 percent rollback in property tax revenue. This legislation was proposed in response to concerns expressed by taxpayers about significant increases in their taxes and as a way to reduce reliance and dependence on the property tax as a source of revenue.

There may be some merit to less reliance on the property tax, but HCR 5040 fails to get at the root of the current problem caused by deficiencies in the classification amendment.

It is apparent that there have been winners and losers as a result of reappraisal and passage of the classification amendment of 1986. To the winners, those who experienced significant decreases in their tax bills, this proposed constitutional amendment would grant an additional gift and memorialize the reward as part of our state Constitution. Is this the appropriate thing to do? To the many losers -- residential property owners, small businesses, and commercial property without inventory -- a 20 percent rollback is not the solution, but a placebo.

If HCR 5040 is approved, the Shawnee Mission school district will lose almost \$13 million; the Blue Valley school district, \$5.5 million; and the Johnson County Community College over \$4 million. What will this mean to the quality of education we now enjoy? Will our schools be faced with an inability to hire



teachers and overcrowded classrooms, cutbacks in textbooks and other supplies? Will there be quotas at the community college, requiring that students who desire higher education be turned away? Other basic governmental services -- libraries, parks and recreation, sewer districts -- will also be significantly impacted.

HCR 5040 poses a real and actual threat to the ability to deliver public safety services -- fire, police and other emergency services -- to the community. For instance, a major portion of the Overland Park fire department budget, like many other fire departments and fire district budgets, is comprised primarily of personnel costs. A 20 percent rollback in Overland Park means a cutback of 18 firefighters, which would take two engine truck companies out of service. The only hazardous materials response team in the county would be eliminated. Obviously, these reductions will drastically reduce fire service to the citizens of Overland Park. Such a cut in fire protection services will inevitably mean higher property insurance premiums for home and business owners.

Cuts will also be necessary in other city services. Will these come from the Police Department? Will we cut back our war on drugs -- our education program in the schools, drug investigations and enforcement? Do we hire fewer officers, buy fewer patrol cars? What will this do to our response times?

The anticipated total loss to taxing districts in the county from this rollback is \$52 million. Combined with the \$27 million reduction in the motor vehicle tax, the total lost property tax revenue in Johnson County approaches \$90 million. To those who say that we can recover this revenue from other sources, i.e., the sales tax, it should be noted that an increase of at least 44 percent in the sales tax would be necessary.

Members of the committee, if steps are taken to correct the deficiencies in the classification amendment, such an extreme measure as represented by HCR 5040 is unnecessary. I thank you for this opportunity to appear before you today.

TESTIMONY TO SENATE ASSESSMENT AND 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 LENEKA

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 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.

*Senate*  
TEST: NY TO ~~HOUSE~~ TAXATION COMM FEE

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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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.

Senator Thiessen and Members of the Assessment and 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 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 be 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

11-3

ATT 12  
2-8-90

Cimarron, Kans  
February 8, 1990

Senate Assessment & Taxation Comm.  
Topeka, Kans

Re: Land appraisal

Dear Sirs:

I would like for you people to consider some inequities that I feel exists in the reappraisal of land here in Gray Co and perhaps in other counties.

My family has a 780 acre farm in Gray Co. In 1987 we entered 748 acres in the Conservation Reserve Program, (CRP), of which 127 acres was dry land and 621 acres was irrigated. The reappraised value on the dry land is \$73 average per acre and \$345 average per acre on the irrigated land.

It is my understanding that land was to be appraised at its current agricultural use, which in my case is grass land. I am not asking for grass land appraisal but I do think it should be considered dry land. There are no sprinklers, pumps, motors or gear heads on this land so there is no way to irrigate.

I would appreciate your help in reducing the 621 acres appraised at \$345 per acre to \$73 per acre for dry land.

I also have complete records for 1986 for this farm showing income, expenses, including depreciation, giving a net income if you would care to see them.

Sincerely,



Lyle C. Davis

Senate Assessment and Taxation Committee  
Thursday, February 8, 1990 ATTACHMENT 12

FINAL 1986

FARM INCOME & EXPENSE

	CORN	IRRIG WHT	INC DRY WHT	IRRIG MILD	SOYBEANS
DATE	END '86 WHT + <i>Corn + mild</i>				
ACRES	115	250	70	28	
EXPENSES					
LABOR	\$3,450.00	\$6,250.00	\$1,050.00	\$700.00	\$0.00
REPAIRS PER PLNTED A	\$2,300.00	\$5,000.00	\$700.00	\$560.00	\$0.00
IRRIG FUEL	\$2,292.00	\$2,060.00		\$492.00	
CASH RENT	\$2,500.00	\$3,000.00			
CROP RENT					
TAXES	\$575.00	\$1,250.00	\$350.00		
HAIL-CROP INSURANCE					
INSURANCE	\$345.00	\$750.00	\$210.00	\$84.00	\$0.00
EQUIP PURCHASE					
CROP SERVICE					
SEED	\$2,557.00	\$1,730.00	\$385.00	\$107.00	
HERBICIDE	\$1,009.00	\$270.00		\$167.00	
INSECTICIDE	\$1,976.00				
FERT BLEND	\$1,385.00	\$5,218.00	\$1,640.00	\$350.00	
FERT 28%	\$2,647.00	\$3,751.00		\$182.00	
FERT NH-3	\$1,204.00			\$380.00	
MANURE (1/3 OF 16 TONS)	\$1,100.00				
MACHINE HIRE	\$5,293.00	\$7,150.00	\$1,596.00	\$1,033.00	
OTHER MACH HIRE					
STORAGE					
INTEREST OPER LOAN	\$714.00				
EST COST FIELD OPER					
OTHER MISC COSTS	\$700.00				
<b>TOTAL VARIABLE COSTS</b>	<b>\$30,047.00</b>	<b>\$36,429.00</b>	<b>\$5,931.00</b>	<b>\$4,055.00</b>	<b>\$0.00</b>
<b>COSTS PER ACRE</b>	<b>\$261.28</b>	<b>\$145.72</b>	<b>\$84.73</b>	<b>\$144.82</b>	<b>ERR</b>
TILLAGE COST INCL FUEL NO LABOR (PER MONTH)					
BASED ON 8 TRIPS @ \$2 ON IRRIG 6 TRIPS DRY	\$1,840.00	\$4,000.00	\$840.00	\$392.00	\$0.00
<b>TOTAL TILLAGE COSTS</b>	<b>\$1,840.00</b>	<b>\$4,000.00</b>	<b>\$840.00</b>	<b>\$392.00</b>	<b>\$0.00</b>
<b>TOTAL COSTS PER CROP</b>	<b>\$31,887.00</b>	<b>\$40,429.00</b>	<b>\$6,771.00</b>	<b>\$4,447.00</b>	<b>\$0.00</b>
<b>TOTAL COSTS PER ACRE</b>	<b>\$277.28</b>	<b>\$161.72</b>	<b>\$96.73</b>	<b>\$158.82</b>	<b>ERR</b>
DEPR \$25 ACRE IRRIG \$13 ACRE DRY	\$2,875.00	\$6,250.00	\$910.00	\$700.00	\$0.00
<b>TOTAL COSTS INCL DEP</b>	<b>\$34,762.00</b>	<b>\$46,679.00</b>	<b>\$7,681.00</b>	<b>\$5,147.00</b>	<b>\$0.00</b>

(over)

COST PER AC W/DEPR      \$302.28      \$186.72      \$109.73      \$183.82      ERR

TOTAL BUSHEL RAISED  
 IRSIK-DOLL BUSHEL      0.00      16006.00      3180.00  
 INGALLS COOP BUSHEL  
 LOEWEN BUSHEL      20139.00                3481.28  
 INGALLS FEEDYD BUSH      0.00                0.00  
 COLLINGWOOD

TOTAL BUSHEL RAISED      20139.00      16006.00      3180.00      3481.28      0.00  
 TOT BU PER ACRE      175.12      64.02      45.43      124.33      ERR

BUSHEL SOLD  
 IRSIK - DOLL CCC           16006.00      3180.00  
 INGALLS COOP CCC  
 LOEWEN FEEDERS      20139.02                3481.28

TOTAL BUSH SOLD      20139.02      16006.00      3180.00      3481.28      0.00

DOLLAR AMOUNT SOLD  
 IRSIK-DOLL CCC           \$36,494.00      \$7,250.00  
 INGALLS COOP CCC  
 COLLINGWOOD CCC  
 LOEWEN FEEDERS      \$31,215.46                \$4,699.73  
 EST. FR. 1.75-1.60  
 WHEAT PASTURE           \$13,567.00  
 ADV DEF PMT      \$4,965.00      \$7,741.00           \$681.00  
 PIK PMT      \$5,527.00      \$10,524.00      \$1,633.00      \$425.00  
 CASH PMT           \$5,400.00      \$1,511.00  
 PIK PMT           \$8,108.00      \$2,270.00  
 FINAL CASH PMT ~~acc 27~~      \$4,795.75           \$673.23  
 FINAL PIK PMT 1&DOLL ~~acc 27~~      \$5,011.23           \$703.48

INGALLS FEEDYARD

TOTAL DOLLAR AMT SOL      \$51,514.46      \$81,834.00      \$12,664.00      \$7,182.44      \$0.00  
 INCOME PER ACRE      \$447.95      \$327.34      \$180.91      \$256.52      ERR  
*net - 302.28*  
*reference 145.67*  
*-186.72*  
*140.67*  
*-109.73*  
*71.18*  
*-183.82*  
*72.70*

SENATOR  
MARTIN

DRAFT

SESSION OF 1990

SUPPLEMENTAL NOTE ON SENATE BILL NO. 467

As Amended by Senate Committee on  
Assessment and Taxation

**Brief\***

S.B. 467 would prohibit counties from changing property valuations for tax year 1990 for any property other than irrigated agricultural land unless there is a specific review of the property made, including a physical inspection, and contact with the owner or owner's representative by the county appraiser. Notices would be required to be sent if there had been a change in the value. For tax year 1990, change of value notices would be required to be mailed on or before May 1.

**Background**

As introduced, the bill did not prohibit the counties from changing valuations and would have allowed county-option on whether to send most change-of-value notices, except when requested by the taxpayer or when appraised valuation had increased or decreased by more than 10 percent.

The Committee amended the bill to permit changing values only for irrigated agricultural land or when the property is inspected and the owner is contacted, and to restore the requirement in current law to send a change of value notice for any change in value.

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\* Supplemental Notes are prepared by the Legislative Research Department and do not express legislative intent.





TESTIMONY OF KIM C. DEWEY  
SEDGWICK COUNTY MANAGER  
SENATE 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.

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.