

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./~~pm~~ on Monday, March 26, 1990 in room 519-S of the Capitol.

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

Stan Simon, President of Stan Simon and Associates  
Bill Ervin, Department of Administration  
John Torbert, Executive Director, KS Association of Counties  
Gerry Ray, Intergovernmental Coordinator, Johnson County Board of Commissioners  
John Moir, Director of Finance, City of Wichita  
Ernie Mosher, Executive Director, League of KS Municipalities

Chairman Thiessen called the meeting to order at 11:09 and said we are having hearings on SB777, but recognized Stan Simon an opponent on SCR1642, because of time could not be heard at last Friday's meeting for Opponents on SCR1642.

Stan Simon, President of Stan Simon and Associates, Inc., managing properties in Topeka, Kansas City and Salina, testified in opposition of SCR1642 and he said, basically what his handout say's is, a 15% classification on apartments would be pretty devastating, and would practically put them out of business. (ATTACHMENT 1)

Chairman Thiessen thanked Mr. Simon for returning to today's meeting, and turned attention to SB777 recognizing Senator Fred Kerr.

SB777:AN ACT relating to property taxation; concerning aggregate tax levy limitations.

Senator Fred Kerr said SB777 is a version of legislation extending the tax lid beyond 1989, and this version is not quite as iron clad, as the iron clad version which has a few more exemptions in it, but it is a somewhat tighter tax lid than is currently in law. This issue is expected to be addressed, by both Chambers and they may get to the tax lid bill, in the House today, and this bill is similar to the one they will debate today.

He said, he asked Bill Ervin, Department of Administration to prepare some testimony, which includes a comparsion between current law and the iron clad bill introduced in the House.

Bill Ervin said there are two handouts, (1) is a 3 page analysis showing comparisons between present law and HB2700 as amended, and SB777. (2) a separate listing of the Tax Lid Exemptions. (ATTACHMENT 2a, and 2b)

He said, HB2700 is the Governor's proposal, the so called iron clad tax lid. This is a transitional bill proposed to establish a tax lid for 2 years only, for cities, counties, townships, U.S.D.'s, Community Colleges and Universities, and to use 1989 as the base year. One of the large changes, is the change of exemptions from about 60 to only 3 exemptions, under HB2700.

He explained, how things changed from present law to HB2700 to the amendment, to SB777. He said, abbreviations on Attachment 2a, are PL for Present Law, TS for Taxing Subdivisions, TL for Taxing Lids. He continued through explaining Attachments 2a and 2b.

He said HB2700 as amended, has some language they do not like. The language "less the amount of valuation, reduced" they feel, if reductions are going to be considered, then increases should also be considered. He recommended, this should be included.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION

room 519-S, Statehouse, at 11:00 a.m. ~~xxxx~~ on Monday, March 26, 1990

Senator Francisco asked Mr. Ervin, if he is speaking for the Governor's office, when he, say's "we feel"?. Mr. Ervin said yes.

After committee discussion The Chairman recognized John Torbert.

John Torbert, Executive Director, KS Association of Counties, said, they are in opposition of SB777, because they feel that local taxes are best controlled at the local level. He quoted, Steven Gold, a tax expert on tax policy with the National Conference of State Legislatures, from his book "Property Tax Relief" that "If one has faith in local democratic government to provide the quantity and quality of services which citizens desire, controls are unnecessary and undesirable".

Mr. Torbert said there are several basic changes they would suggest to SB777. See (ATTACHMENT 3)

Gerry Ray, Intergovernmental Coordinator, Johnson County Board of Commissioners, said Johnson County opposes SB777, just as they opposed local tax lids in general. She said, if we must have a tax lid imposed, we at least need the flexibility to address their local situations and problems. They agree with the exemptions suggested by the Kansas Association of Counties that are consistent with HB2700 as amended.

She said, the only additional exemption they would ask the committee to consider would be to address the revenue losses due to the adjustment in 1991 for motor vehicle tax levies. She urged the committee not to pass SB777 out of committee. (ATTACHMENT 4)

John Moir, Director of Finance, City of Wichita said SB777 establishes a limitation on property taxes levied by cities and other taxing subdivisions of the state for the tax years 1990 and 1991 (budget years 1991 and 1992).

He said, the bill penalizes the jurisdictions that did not increase their tax levies to the statutory maximum. The City of Wichita certified an amount of taxes to be levied that was \$3,069.569 or 10.4% under the current statutory tax lid. The City of Wichita's 1989 taxes levied increased by 1.9% due entirely to the growth in new improvements and territory added. Absent this growth, the City of Wichita would not have increased 1989 taxes levied.

He said the City of Wichita is strongly opposed to SB777. He urged the committee to search out permanent solutions to the current problem, and he said, SB777 is not one of them. (ATTACHMENT 5)

Ernie Mosher, Executive Director, League of KS Municipalities, said their convention-adopted statement of Municipal Policy provides: "We continue to oppose in principle any property tax lid law. They believe such state-imposed controls to be in conflict with the clear intent of constitutional home rule, which provides for the determination of local affairs by locally elected governing bodies, directly responsible to the citizens of the affected communities".

He said, they would emphasize that a tax lid, in itself, does not solve the problem of the fair distribution of the cost of local government. Absence of meaningful alternative revenue sources, a tax lid has as its only real purpose the reduction of the cost of local government. For those who champion this cause, they would simply remind the committee 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.

He said, to restrain local government property tax discretion, without realistic and practical alternatives, is to restrict the provision of basic public services. Some people, apparently, think this should be done. But if that is the case, they think that decision should be made at the local level, and not on the second and third floors of the state house. (ATTACHMENT 6)

Chairman Thiessen concluded hearings on SB777, and said Kay Coles, Kansas National Education Association turned in a handout, because she could not be here today. (WRITTEN TESTIMONY ONLY) (ATTACHMENT 7)

Chairman Thiessen adjourned the meeting at 12:10 p.m.

3/23/90

TESTIMONY: AGAINST THE 15% CLASSIFICATION PART OF SENATE  
1642

BY: STAN SIMON, PRESIDENT, STAN SIMON AND ASSOCIATES, INC.,  
MANAGING PROPERTIES IN TOPEKA, KANSAS CITY, AND SALINA.

WHY? BECAUSE 15% CLASSIFICATION "LEGISLATES" LARGE  
RENT RAISES ON TENS OF THOUSANDS OF RENTERS WHO ARE  
ALREADY PAYING MORE THAN THEIR FAIR SHARE OF TAXES HIDDEN  
IN THEIR MONTHLY RENT PAYMENTS.

WHY MORE THAN THEIR SHARE? BECAUSE THE MAJORITY OF  
APARTMENT PROPERTY TAXES IN KANSAS ARE "OUT OF STEP WITH  
THE NATION". MEDIAN PROPERTY TAXES FOR GARDEN  
APARTMENTS NATIONALLY, IN 1989 WERE 7.6% OF INCOME.

TO GIVE THAT MEANING, LETS LOOK AT AN ACTUAL EXAMPLE:

7.6% OF BROOKWOOD TOPEKA'S 1989 INCOME WOULD BE \$26,752.  
IN 1988 THE ACTUAL TAXES WERE \$37,013.00, OR 10.54% OF INCOME.  
IN 1989, \$33,619, OR 9.55% OF INCOME, (AT 12% CLASSIFICATION).  
IN 1990, WITH EVEN 15% CLASSIFICATION, AND NO CAP ON THE MIL  
LEVY, THEY WILL BE \$46,943, OR 13.40% OF INCOME. (ASSUMING  
TOPEKA'S MIL LEVY IS ALLOWED TO GO UP THE 20 MILS NEEDED BY  
501 SCHOOL DISTRICT). THAT TRANSLATES INTO A \$10.00 RENT  
RAISE.

WHEN LEGISLATION (THOUGH UNINTENTIONALLY) PUTS PROPERTY  
SENATE ASSESSMENT AND TAXATION COMMITTEE  
MONDAY, MARCH 26, 1990 ATTACHMENT 1

OWNERS AND ENTREPRENEURS OUT OF BUSINESS IN KANSAS, AND MAKES IT IMPOSSIBLE FOR HARD WORKING RENTERS, AND FIXED INCOME ELDERLY TO COPE WITH INCREDIBLY UNFAIR TAX PROMPTED YEARLY RENT RAISES OUT OF THEIR SMALL PAYCHECKS, AND FORCES THEM TO LOOK FOR CHEAPER HOUSING, IT IS TIME TO MODIFY THAT LEGISLATION. FURTHER, IF NO CAP IS PUT ON THE MILL LEVY DURING THIS SESSION, ALL THE ABOVE WILL MOST CERTAINLY HAPPEN ANYWAY.

BROOKWOOD IS SIMILAR TO TENS OF THOUSANDS OF APARTMENTS IN KANSAS THAT ARE BARELY GETTING BY RIGHT NOW, AND ARE DESPERATELY IN NEED OF HELP FROM THE LEGISLATURE.

TIME IS RUNNING OUT. TWO DEVELOPERS I KNOW OF PERSONALLY HAVE HALTED THEIR READY TO GO PLANS FOR 1200 APARTMENT UNITS IN KANSAS.

CAL ROBERTS, PRESIDENT OF THE JONES CO. TOLD ME THAT MET MORTGAGE DIVISION OF METROPOLITAN LIFE IS CONSIDERING MOVING OUT OF KANSAS WITH THEIR 600 EMPLOYEES BECAUSE OF THE PROPERTY TAX SITUATION, AND A CLIENT NEEDING 275,000 SQ. FT. OF NEW OFFICE BUILDING TURNED DOWN CORPORATE WOODS, BECAUSE OF THE CURRENT TAX SITUATION IN KANSAS. IN THR INTEREST OF OUR STATE, THE TAX BASE NEEDS TO BE BROADENED THIS SESSION.

THANKS FOR YOUR KIND ATTENTION TO THIS SITUATION.

STAN SIMON            2135 POTOMAC, TOPEKA, KS. 66611 232 4999

<u>Subject</u>	<u>K.S.A.</u>	<u>Present Law (PL)</u>	<u>HB 2700</u>	<u>HB 2700 (As Amended 3/22/90)</u>	<u>SB 777</u>
Definitions	79-5021	(a) Taxing subdivision (TS) defined.  (b) Reappraisal year defined.  Assessed valuation not addressed in PL.	<b>[SECTION 1]</b> (a) No change from present law (PL).  (b) No change from PL.  (c) "assessed valuation amount of the reappraisal year" means the taxable tangible assessed valuation as shown on the Nov. 1, 1989 abstract transmitted to the PVD per 79-1806.	<b>[SECTION 1]</b> (a) No change from PL.  (b) "Reappraisal Year" changed to "1989." Base year = 1988 or 1989.  (c) "assessed valuation amount of the reappraisal year" means the taxable tangible assessed valuation as shown on the Nov. 1, 1989 abstract transmitted to the PVD per 79-1806, less the amount of valuation reduced by assessment appeals or other changes in valuation which were made after such abstract was transmitted.	<b>[SECTION 1]</b> (a) No change from PL.  (b) No change from PL/HB 2700.  (c) Same as HB 2700.
Who is covered by Tax Lid (TL)?	79-5022(b)	All TSs covered by TL for 1 year (1989). The 1989 TL tied to 1988 levies.	<b>[SECTION 2]</b> Cities, counties, townships, USDs, Washburn, comm. colleges. Term of coverage = 2 years (1990 & 1991).	<b>[SECTION 2]</b> USDs stricken. Term of coverage permanent.	<b>[SECTION 2]</b> USDs stricken. Term of coverage = 2 years (1990 & 1991).
For TSs not covered by TL.	79-5022(c)	Starting in 1990, the fund levy limits for TSs not covered by TL will use 1988 as base. Tax increases allowed for valuation increases over 1989 valuation.	Essentially no change from PL except for specifying who TL applies to/does not apply to.	Essentially no change from PL.	Same as HB 2700 except striking USDs.

SENATE ASSESSMENT AND TAXATION COMMITTEE  
MONDAY, MARCH 26, 1990 ATTACHMENT 2a

2a

<u>Subject</u>	<u>K.S.A.</u>	<u>Present Law (PL)</u>	<u>HB 2700</u>	<u>HB 2700 (As Amended 3/22/90)</u>	<u>SB 777</u>
Allow- able in- creases of taxing power under TL.	79-5024(a) 79-5024(b)	In 1989 and after for TSs covered by TL, increases to taxing power allowed for valuation increases over 1989 valuation.	<b>[SECTION 3]</b> In 2 years (1990 & 1991) the TSs covered by TL, increases to taxing power allowed for valuation increases over 1989 valuation.	<b>[SECTION 3]</b> Reference to 1990 and 1991 stricken. USDs stricken.	<b>[SECTION 3]</b> Same as HB 2700 except for striking USDs.
Added terri- tory adjust- ment.	79-5025	Cities and counties.	<b>[SECTION 4]</b> Cities, counties, townships, USDs, Washburn, comm. colleges.	<b>[SECTION 4]</b> Cities, counties, townships, Washburn, comm. colleges.	<b>[SECTION 4]</b> Same as HB 2700, as amended.
Excluded terri- tory adjust- ment.	79-5026	Cities and counties.	<b>[SECTION 5]</b> Cities, counties, townships, USDs, Washburn, comm. colleges.	<b>[SECTION 5]</b> Cities, counties, townships, Washburn, comm. colleges.	<b>[SECTION 5]</b> Same as HB 2700, as amended.
Exemp- tions	79-5028	All exemptions shown on TAX LID EXEMPTIONS LISTING.	<b>[SECTION 6]</b> Three exemptions, see LISTING. The only exempt employee benefit is health insurance.	<b>[SECTION 6]</b> Eight exemptions, see LISTING. Employee Benefits includes soc. sec., work comp, unemploy ins., health ins., retirement, & employee benefit plans.	<b>[SECTION 6]</b> Seven exemptions, see LISTING. Employee Benefits includes soc. sec work comp, unemploy. ins, health ins, & retirement.
Levies passed on to other entities	79-5032	Where TS (say, a city) makes levy that is passed on to (say, to a library) that levy not in TS TL limit.	<b>[SECTION 7]</b> Generally, same as PL.	<b>[SECTION 7]</b> Generally, same as PL.	<b>[SECTION 7]</b> Generally, same as PL.

<u>Subject</u>	<u>K.S.A.</u>	<u>Present Law (PL)</u>	<u>HB 2700</u> [SECTION 8]	<u>HB 2700</u> (As Amended 3/22/90) [SECTION 8]	<u>SB 777</u> [SECTION 8]
Home Rule Exemption	79-5036	Home Rule powers extended to all TSs for exempting from TL.	Cities & counties have Home Rule, but can't use for 2 years for TL exemption.	Same as PL.	Same as HB 2700.
Codifying exemptions	Various	N/A	SECTIONS 9-58 remove exemption language from levy statutes. All exemptions now shown in SECTION 6. See LISTING.	Generally, same as HB 2700; see LISTING.	Generally, same as HB 2700; see LISTING.
Repeals statutes	Various	N/A	[SECTION 59] Repeals various K.S.A.s.	[SECTION 59] Same as HB 2700.	[SECTION 59] Same as HB 2700.
Eff. date		N/A	[SECTION 60] KS Regis pub date.	[SECTION 60] Same as HB 2700.	[SECTION 60] Same as HB 2700.

Municipal Accounting Section  
March 26, 1990

**TAX LID EXEMPTIONS LISTING**

K.S.A.	Name of Fund	Tax Levy Year			HB2700	Amenam... HB2700	SB777
		1988	1989	1990			
2-129i	Sec 9	Fair Associations (urban counties)	X				
2-162	Sec 10	Fair Associations (Shawnee County)	X				
2-1318	Sec 11	Noxious Weed	X				
12-110b	Sec 12	Spec. Law Enf., Pur. Ambulance or Fire Equip.	X				
12-11a01	Sec 6	Spec. County Law Enforcement	X	X			
12-1257	Sec 13	Spec. Library Bldg. (urban counties)	X				
12-1617h	Sec 6	Economic Development	X	X			
12-1680	Sec 14	Service Programs for the Elderly	X				
12-1688	Sec 15	Historical Museum	X				
12-16,102		Employee Benefits	X	X		X	X
12-16,102		Health Insurance		X	X	X	X
12-1933	Sec 17	Recreation	X				
12-4803	Repealed	Child Care Center	X				
13-10,143	Repealed	Flood Damage Repair	X				
13-13a23	Sec 18	Washburn University - Sinking Fund	X				
13-13a26	Sec 19	Out-Dist. Tuition, Washburn Univ.	X				
13-14,112	Sec 20	Convention Center/Sports Arena	X				
19-101d	Sec 21	Enforcement of County Code Violations	X				
19-436	Sec 22	County Appraiser (if published)	X				
19-15,142	Sec 23	Coliseum (two year limit)	X				
19-1930	Sec 24	Sedgwick Co. - Maintenance of Prisoners	X				
19-2122	Sec 25	Home for the Aged	X				
19-2651	Sec 26	Preservation of Historical Records	X				
19-2698	Sec 27	Serv. for Physically Handicapped	X				
19-27,156	Sec 28	Golf Course	X				
19-2881a	Sec 29	Johnson Co. - Rec. Contract With U.S. Gov	X				
19-28,112	Sec 30	Zoo Levy in Counties Over 300,000 Population	X				
19-3905	Sec 31	Youth Service Bureau	X				
19-4004	Sec 6	Mental Health	X	X			
19-4011	Sec 6	Mental Retardation	X	X			
19-4102	Sec 32	Economic Development	X	X			
19-4443	Sec 33	County Law Enforcement Agency	X	X			
19-4485	Sec 34	County Law Enforcement Agency	X				
19-4606	Sec 35	County Hospitals	X				
20-348		District Court - County General	X	X		X	X
20-356	Sec 36	District Court - New Divisions	X				
25-2201a	Sec 37	Election Expense - County	X				
27-322	Sec 38	Surplus Property or Public Airport Authority	X				
65-204	Sec 41	County Health	X				
65-3327	Sec 42	Waste Water Project	X				
65-4060	Sec 43	Special Alcohol and Drug Programs	X				
65-6113	Sec 44	Ambulance or Emergency Medical Serv.	X	X			
68-5,100	Sec 45	County Roads	X				
71-301		Out-District Tuition	X			X	X
72-4424	Sec 6	Community College Vocational Ed.	X	X			
74-5057	Sec 49	Infrastructure Loan Agreement	X	X			
75-1122	Sec 50	Audit Cost - 3rd Class Cities (Gen.)	X				
75-6110	Sec 51	Special Liability Expense	X	X		X	
75-6113	Sec 52	Warr. or Bonds for Pmt. of Judgments	X	X			
79-1482	Sec 53	Reappraisal	X				
79-1607	Sec 54	Reappraisal Appeals Hearing Cost	X				
79-1946	Sec 55	Co Gen - Add 1 1/2 Mills For Certain Counties	X				
79-1947b	Sec 56	Home for Aged - Levy Exceeding 1/2 Mill	X				
79-2005		NFW Payments Due to Protest of Taxes	X	X		X	X
79-5011(e)	Repealed	Rent Due - Public Bldg. Comm.	X	X			
79-5028	Sec 6	Spec. Assess. Against Political Subdivisions	X	X			
79-5028		Debt Serv. for Bonds, Temp. Notes & NFW	X	X	X	X	X
79-5028		Judgments	X	X	X	X	X
79-5028a		Infrastructure Loan Agreement	X	X		X	X
79-5035	Repealed	U.S.D. General Fund	X	X			
82a-1425	Sec 58	Weather Modification	X				
Employee Benefits:							
13-14,100	Sec 6	City Pension Fund	X	X			
13-14a02	Sec 6	City Pension Funds	X	X			
40-2305	Sec 39	Social Security	X	X			
44-505c		Workmen's Compensation	X	X			
44-710	Sec 40	Unemployment Insurance	X	X			
74-4920	Sec 47	KPERS	X	X			
74-4967	Sec 48	Kansas Police & Fire Retirement	X	X			

An "X" indicates an exemption from the tax lid. The absence of an "X" indicates there is no exemption from the tax lid.





"Service to County Government"

212 S.W. 7th Street  
Topeka, Kansas 66603  
(913) 233-2271  
FAX (913) 233-4830

**EXECUTIVE BOARD**

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Gary Hayzlett  
Kearney County Commissioner  
P.O. Box 66  
Lakin, KS 67860  
(316) 355-7060

**Vice-President**  
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Edwards County Commissioner  
R.R. 1, Box 76  
Belpre, KS 67519  
(316) 995-3973

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Shawnee County Commissioner  
(913) 291-4040  
(913) 272-8948

Dixie Rose  
Butler County Register of Deeds  
(316) 321-5750

Gary Post  
Seward County Appraiser  
(316) 624-0211

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Phillips County Commissioner  
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Marion Cox  
Wabaunsee County Sheriff  
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John Delmont  
Cherokee County Commissioner  
(316) 848-3717

Keith Devenney  
Geary County Commissioner  
(913) 238-7894

Berniece "Bonnie" Gilmore  
Wichita County Clerk  
(316) 375-2731

Harry "Skip" Jones III  
Smith County Treasurer  
(913) 282-6838

Roy Patton  
Harvey County Weed Director  
(316) 283-1890

Thomas "Tom" Pickford, P.E.  
Shawnee County Engineer  
(913) 291-4132

**NACo Representative**  
Joe McClure  
Wabaunsee County Commissioner  
(913) 499-5284

**Executive Director**  
John T. Torbert

**TESTIMONY**

**To: Senate Taxation Committee**

**From: John T. Torbert  
Executive Director**

**Subject: SB 777 (Tax Lid)**

The Kansas Association of Counties is in opposition to SB 777. SB 777 is a state imposed lid on property taxes. We believe that local taxes are best controlled at the local level. Steven Gold, who is an expert on tax policy with the National Conference of State Legislatures notes in his book "Property Tax Relief" that "If one has faith in local democratic government to provide the quantity and quality of services which citizens desire, controls are unnecessary and undesirable."

In 1989, on a statewide basis, property taxes in Kansas increased by slightly more than six percent. If you adjust that for inflation, the increase would have been slightly more than two percent. Given that backdrop, those taxpayers that saw their tax bills increase by a significant amount had those increases because of the large shifts that took place with reappraisal/classification. To try and "cure" that problem with a tax lid treats the symptoms and not the cause.

We would further point out that the necessity of this legislation is questionable in light of the action taken by the House Taxation Committee last Thursday to advance HB 2700 to the full house for debate. If this committee is inclined to advance this bill however, we would suggest that it be amended to bring it more in line with the version approved by the house committee.

There are several basic changes we would suggest.

- 1) SB 777 establishes the reappraisal year (1989) as the base year on which future tax levies are based.

We would suggest that you allow the use of either 1988 or 1989 as the base year at the option of the political subdivision. A local government that succeeded in reducing taxes from 1988 to 1989 should not be penalized for doing so.

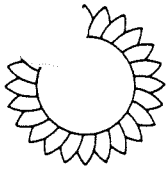
2) The language in section 3 of page 2 would appear to preclude us from gaining any valuation from real estate improvements or increased personal property valuation after two years. This two year provision should be dropped.

3) The language in section 6 on page 4 should be clarified so that it is clear that it applies generally to employee benefit plans.

4) On page 4, old section 6 part d referring to expenses for legal counsel etc. should be left in. It does not make sense to exempt judgements from a tax lid without also exempting costs relating to judgements. Often, the judgement itself is a minor cost factor but the costs of defense have been substantial. This section should also be clarified so that expenses relating to defense of the political subdivision itself are exempt.

5) On page 5, lines 13 and 20, the word "third" should be removed. The effect of this word is to preclude the use of home rule authority to "charter out" of the tax lid for two years. This provision is crucial to the whole issue. Home rule authority, subject to petition and referendum requirements, has long been a key part of the laws of this state. Local officials must be allowed to make local decisions. If a city or county commission has the guts to attempt to charter out of a tax lid in today's tax climate, they should not be precluded from doing so.

tsjiclid



MARCH 27, 1990

SENATE ASSESSMENT AND TAXATION COMMITTEE

HEARING ON SENATE BILL 777

TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL COORDINATOR  
JOHNSON COUNTY BOARD OF COMMISSIONERS

Mr. Chairman, members of the committee my name is Gerry Ray, representing the Johnson County Board of Commissioners.

Johnson County opposes SB 777 just as we oppose local tax lids in general. We would echo the comments of John Torbert, if we must have a tax lid imposed, we at least need the flexibility to address our local situations and problems. We agree with the exemptions suggested by the Kansas Association of Counties that are consistent with HB 2700 as amended. The only additional exemption we would ask you to consider would be to address the revenue losses due to the adjustment in 1991 for motor vehicle tax levies. Although this committee and the full Senate has passed SB 560 to phase those losses in, the bill may have difficulty in passing the House. If SB 560 fails and a tax lid is imposed, local units will find themselves without a means to replace the lost revenue.

When you are considering tax lid legislation we urge you to keep in mind that each local entity has its own unique problems. Our system is structured to allow those problems to be handled at the local level. Those officials are elected to make decision on how to deal with the issues and can be voted out if the people do not agree with their decisions. Johnson County asks that SB 777 not be passed.

SENATE ASSESSMENT AND TAXATION COMMITTEE  
MONDAY, MARCH 26, 1990 ATTACHMENT 4



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

March 24, 1990

The Honorable Dan Thiessen, Chairperson  
Committee on Assessment and Taxation  
Senate Chambers  
State Capitol  
Topeka, Kansas 66601

SUBJECT: Senate Bill No. 777

Dear Senator Thiessen:

Senate Bill No. 777 establishes a limitation on property taxes levied by cities and other taxing subdivisions of the state for the tax years 1990 and 1991 (budget years 1991 and 1992). Exemptions from the aggregate property tax levy limitation impacting cities include the following:

1. Debt service (bonds, state infrastructure loans, and temporary notes);
2. No-fund warrants authorized by the State Board of Tax Appeals;
3. Judgments;
4. Employer contributions for social security, workers compensation, unemployment insurance, health care costs, and employee retirement and pension programs.

Cities could not levy more than the amounts certified in 1989 for the 1990 budget, except for the exemptions listed above. Growth in the tax base from new improvements, territory added, and personal property could be taxed at the 1989 rate. Cities with tax levies below the current tax lid would lose this flexibility; therefore, the bill penalizes those jurisdictions that did not increase their tax levies to the statutory maximum. The City of Wichita certified an amount of taxes to be levied that was \$3,069,569 or 10.4 percent UNDER the current statutory tax lid. The City of Wichita's 1989 taxes levied increased by 1.9 percent due entirely to the growth in new improvements and territory added. Absent this growth, the City of Wichita would not have increased 1989 taxes levied.

SENATE ASSESSMENT AND TAXATION COMMITTEE  
MONDAY, MARCH 26, 1990 ATTACHMENT 5

The Honorable Dan Innessen, Chairperson  
March 24, 1990

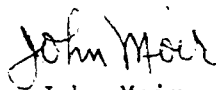
The City of Wichita recognizes the problems resulting from reappraisal and classification both at a local level and statewide. The City has worked diligently to contain and minimize the use of property taxes as a method for financing local services. The year prior to reappraisal the City's tax levy was 37.303 mills, which was 1.521 mills or 4 percent LOWER than the City's tax levy in 1979 (38.824 mills). The decrease was attributable to FINDING NEW REVENUE SOURCES: a countywide local option sales tax, franchise fees, user fees based on full cost of service, transient guest tax, 911 tax, improved investment practices, among others. Due to reappraisal, the City's mill levy decreased to 28.015 mills--a REDUCTION of 9.288 mills or 25 percent!

It is not appropriate to use the "tax lid" approach to solve the property tax problem. A "tax lid" is contrary to the principle of home rule, undermines local decision-making, creates deficit conditions in local services and infrastructure, and ultimately costs the taxpayers more due to the effects of deferred maintenance. Local units of government recognize the many problems associated with reappraisal and classification. These problems include a delay in statewide reappraisal for some 25 years, a heavy reliance on property taxes under the state school finance 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.

The City of Wichita supports a meaningful and lasting solution to the current property tax problem. Additional revenue sources are needed to reduce the reliance on the general property tax. Such sources include income tax, sales tax, earnings tax, food and beverage tax, expanded investment authority, and there most surely are others. Since reappraisal/classification is a statewide problem, we support a statewide solution. Over the ten tax years from 1979 to 1988, the total tax levies within the corporate city limits of Wichita have increased from 104.360 mills to 149.681 mills. The local school district accounted for 90 percent of the increase, with the county causing the balance of the increase. As an example of a possible statewide solution, an increase in the state sales or income taxes could be returned to the local school districts and dedicated for a dollar-for-dollar reduction in local property taxes. Such a tax policy would be easily administered, understandable to the citizens and business community, and equitable.

The City of Wichita is strongly opposed to Senate Bill No. 777. We urge you to search out permanent solutions to the current problem--Senate Bill No. 777 is not one of them.

Sincerely,



John Moir  
Director of Finance



**League  
of Kansas  
Municipalities**

ATT 6  
**Mun al  
Legislaave  
Testimony**

An Instrumentality of Its Member Cities. 112 West Seventh Street, Topeka, Kansas 66603 913-354-9565 Fax 354-4186

To: Senate Committee on Assessment and Taxation  
Re: SB 777--Property Tax Lid  
From: E.A. Mosher, Executive Director  
Date: March 26, 1990

On behalf of the League of Kansas Municipalities and its member cities, I appear in opposition to SB 777. Our convention-adopted Statement of Municipal Policy provides: "We continue to oppose in principle any property tax lid law. We believe such state-imposed controls to be in conflict with the clear intent of constitutional home rule, which provides for the determination of local affairs by locally elected governing bodies, directly responsible to the citizens of the affected communities."

As we read SB 777, it is substantially similar to HB 2700, as amended by the House Taxation Committee, and now on House General Orders. SB 777 and HB 2700 were apparently motivated by concerns about the level of local property taxes. There has been an increase. The total property tax burden in Kansas increased 6.2%, comparing 1989 with 1988 tax levies. Incidentally, this was slightly less than the 1988 increase of 6.3%, and less than the 1987 increase of 7.8%. But the point I would emphasize is that 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%.

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, especially commercial real estate. If the taxes on a certain piece of property increased 250%, a 10% reduction in the total taxes levied would reduce that property owner's taxes by 10%, but still leave a 225% 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.

Further, we would emphasize that a tax lid, in itself, does not solve the problem of the fair distribution of the cost of local government. Absent meaningful alternative revenue sources, a tax lid has as its only real purpose the reduction of the cost of local government. For those who champion this cause, we would simply remind you 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.

To restrain local government property tax discretion, without realistic and practical alternatives, is to restrict the provision of basic public services. Some people, apparently, think this should to be done. But if that is the case, we think that decision should be made at the local level, and not on the second and third floors of the state house.

That is the League's fundamental policy point in opposition to "tax lids", one we have faithfully repeated many times since the first major lid proposal in 1970. It is a matter of principle--who should make the decision? We think local representative government should be allowed to function. We think it works, when it is allowed to work!

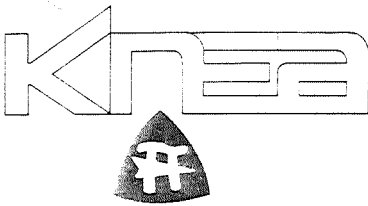
Recognizing all this, we are not naive enough to believe that a tax lid bill is not going to pass this session. Given the environment within which this legislative session is functioning, we suspect other approaches, like the "truth in taxation" system used in some other states, are politically unrealistic. Thus, we support some amendments to SB 777, with the hope that the 1990 Legislature will at least pass HB 2720, the local option sales tax authority increase bill, to provide some of our cities and counties some non-property tax revenue sources.

SB 777, on page 4, contains the major exemptions to make a property tax lid reasonably workable. Another major change is needed, in our judgment, and that is to restore the home rule options in Section 8 on page 5.

We think there are several other amendments needed to SB 777. Rather than specify them at this time, we will present them (if needed) when HB 2700 comes to this Committee.

I would observe that the League has no great objections to the bulk of the bill--the sections which strike about 50 specific exemptions. Most of these are "special interest" type exemptions. In our judgment, restoring the home rule option in Section 8 is of greater consequence to the public interest than retaining the following 51 sections of the bill.

Finally, I want to emphasize that a tax lid in the future is going to be much tougher on many local governments in the future than it has been in the past. This will occur since we have substantially reduced personal property--which has been the principal tax lid growth factor for many units, especially cities. As you know, taxes under the lid can be increased only in the proportion that the valuation of new improvements are increased, and by added personal property. The exemption of inventories, and the reduced method of assessing machinery and equipment, cuts out most of the "natural" growth that permitted added tax lid authority in the past. I would guess that, in the future, most local units will be lucky if their tax lid growth equals even half of the rate of inflation. This prediction explains, in part, our strong support for keeping the home rule option. We think local government is important!



Written testimony presented to the  
Senate Assessment and Taxation Committee  
Kay Coles, Kansas-NEA  
SB 777  
March 26, 1990

Thank you, Mr. Chairman and members of the committee for this opportunity to present in writing Kansas-NEA's concerns about SB 777, the aggregate tax lid legislation.

We are pleased that school districts are not included in this tax lid. School budgets are, we believe, properly controlled through the annual legislative establishment of budget limitations in the school finance bill. We do not believe a tax lid would be appropriate for our USDs.

We are concerned, however, that community colleges are included in SB 777. With ever increasing enrollments, the state's community colleges could be hard hit by being under a tax lid for the next two years. Since about 30% of community college revenue comes from property taxes, we believe this restriction could cause some serious difficulties in these institutions.

Thank you for allowing us to share our concerns.

SENATE ASSESSMENT AND TAXATION COMMITTEE  
MONDAY, MARCH 26, 1990 ATTACHMENT 7