

Approved March 1, 1990
Date

MINUTES OF THE SENATE COMMITTEE ON LOCAL GOVERNMENT

The meeting was called to order by Sen. Don Montgomery at
Chairperson

9:00 a.m./~~p.m.~~ on February 28, 1990 in room 531-N of the Capitol.

All members were present except:

Sen. Gaines - Excused

Committee staff present:

Mike Heim, Legislative Research
Theresa Kiernan, Revisor of Statutes
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Don Seifert, City of Olathe
Daniel Reed, Chief of the Gardner Fire Department
Sen. Marge Petty
John Grace, Kansas Association of Homes for the Aging
Bev Bradley, Kansas Association of Counties
Gerry Ray, Johnson County Commission
Tuck Duncan, Medivac Ambulance Service
Rev. Don Miller, Central Congregational Church of Topeka
Ernie Mosher, Kansas League of Municipalities

The hearing began on SB 738 concerning fire districts in annexed territories by cities. Don Seifert, Planning and Development Director for the City of Olathe, testified in support of the bill. (See Attachment I).

Mr. Seifert was in agreement with the Chairman that the bill would jeopardize the district from which it was detached. The Chairman asked why Mr. Seifert feels the city protection is best to which Mr. Seifert responded that the city has a greater amount of manpower and equipment. The Chairman asked further if the City of Olathe has received complaints, and Mr. Seifert said there have been none, however, there is a problem with the county clerk getting a timely receipt of the formal detachment.

Sen. Daniels began a discussion as to if the City of Olatha has any contracts with outlying townships. Mr. Seifert said there are no such contracts, but they have mutual aid districts. The Chairman asked where the 911 calls are received. Mr. Seifert said it is a countywide response both to Olathe and other fire districts.

Daniel Reed, Chief of the Gardner Rural Fire Department, testified in opposition to SB 738. He said the bill involves more than just Olathe. Gardner is annexing also, and he is concerned about what the bill will do to their fire department revenue. His concern is not for jobs as all the firemen in Gardner are volunteers. His concern is that the same station and equipment will need to be maintained, but there will be less revenue. Gardner is annexing about 300 acres of high value territory which would result in reduction in services or an increase in taxes.

Sen. Burke asked Mr. Reed how big his district is and what the percentage of the total value of the 300 annexed acres is. Mr. Reed said his district includes 90 square miles but could not comment on the percentage of value of the annexation. Sen. Burke inquired further as to what happens to rural districts if the whole county becomes part of the city. Mr. Reed said that the rural districts would become paid departments and this would occur when the district becomes industrialized. Sen. Burke commented that there is a need to find a reasonable plan that allows for an orderly transfer of responsibility as an area becomes urbanized. This concluded the hearing on SB 738, and it was taken under advisement.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON LOCAL GOVERNMENT

room 531-N, Statehouse, at 9:00 a.m. ~~PM~~ on February 28, 1990.

Attention was turned to SB 737 concerning fees for police and fire protection for tax exempt property. Sen. Petty, author of the bill, testified in support. (See Attachment II.) She gave some spot checks of percentages of tax exempt properties as follows: Lindsborg, 50%; Wichita one-third the current assessed value; and Topeka, 44%. In Lindsborg the cost of police and fire is 25% of the general fund budget, in Wichita a cost of 44% of the taxing funds budget, and in Topeka, 21% of the total budget. This bill would give local governments the authority to set a fee for these services which would not be based on ad valorem assessment but a fee amount for categories. Sen. Petty concluded that she recognizes the need for tax exempt property but feels if everybody shares in these costs, it will reduce taxes for all.

Sen. Ehrlich asked if home rule could apply in this instance. Staff explained that there is a strong possibility that home rule would apply. Sen. Steineger noted that there is a provision to levy a service fee in the IRB statutes.

John Grace, Kansas Association of Homes for the Aging, expressed three concerns he has in regard to the bill. (See Attachment III).

Bev Bradley, Kansas Association of Counties, testified in support of SB 737. (See Attachment IV).

Gerry Ray, Johnson County Commission, stood in support of the bill because it helps with the tax burden. She also agreed with others before her that the fee needs to be defined. She will submit written testimony at a later date.

Tuck Duncan, Medivac Ambulance Service, testified in support of the bill. He also suggested an amendment on line 17 to add emergency medical services. He feels this service is as basic a service as is fire and police protection. Sen. Steineger asked if Mr. Duncan is including federal property. Mr. Duncan noted that the general rule is that federal property cannot be taxed unless the federal government consents as they have in some cases.

Rev. Don Miller, Central Congregational Church of Topeka, stood to comment that churches do have a responsibility to support this protection, however, he is concerned about the exempt property being used by groups to help the poor and needy. This type of group already operates under financial difficulty, and charging them a fee would only increase their financial difficulties.

Ernie Mosher, Kansas League of Municipalities, testified that the League is in support of the bill as a legitimate approach in dealing with essential public services. However, it will be necessary to resolve how to deal with the state government. Sen. Ehrlich repeated his earlier inquiry as to if the same thing could be accomplished by home rule. Mr. Mosher agreed that it could be, but there is a problem of enforcement and with the state government. Staff commented that the constitution permits the legislature to limit taxes and fees of local governments on the basis of classification. It could be that the legislature would want to establish a classification of cities in some way. With this, the hearing on SB 737 was concluded.

The minutes of February 27 were approved.

The meeting was adjourned at 10:00 a.m.



CITY OF OLATHE

MEMORANDUM

TO: Members of the Senate Local Government Committee
FROM: Donald R. Seifert, Planning and Development Director
SUBJECT: Senate Bill No. 738
DATE: February 28, 1990

On behalf of the City of Olathe, I want to thank the Committee for introducing Senate Bill 738 and for the opportunity to appear before you today. This bill applies only to fire districts in Johnson County, and relates to the procedure for detaching fire district territory following annexation by a city.

The City of Olathe, like many cities in Johnson County, has expanded its boundaries in recent years through annexation. The city rarely initiates annexation, but regularly accommodates property owners' annexation requests. Since 1987, the city has annexed approximately 3300 acres, of which 95% was voluntarily annexed by landowner petition.

With annexation, our boundaries have expanded into three rural Johnson County fire districts created pursuant to K.S.A. 19-3613. Attached is a map indicating these annexations since 1983. Upon annexation, property owners expect the city to provide fire protection and the city has

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Attachment I

been providing this service. However, under present law the city cannot levy taxes for fire protection unless the property has been formally detached and excluded from the fire district by its governing body. The city has not always received timely cooperation from fire districts in consenting to these detachments. We have some territory annexed as far back as 1983, now fully developed, that has yet to be formally detached.

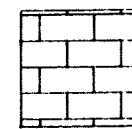
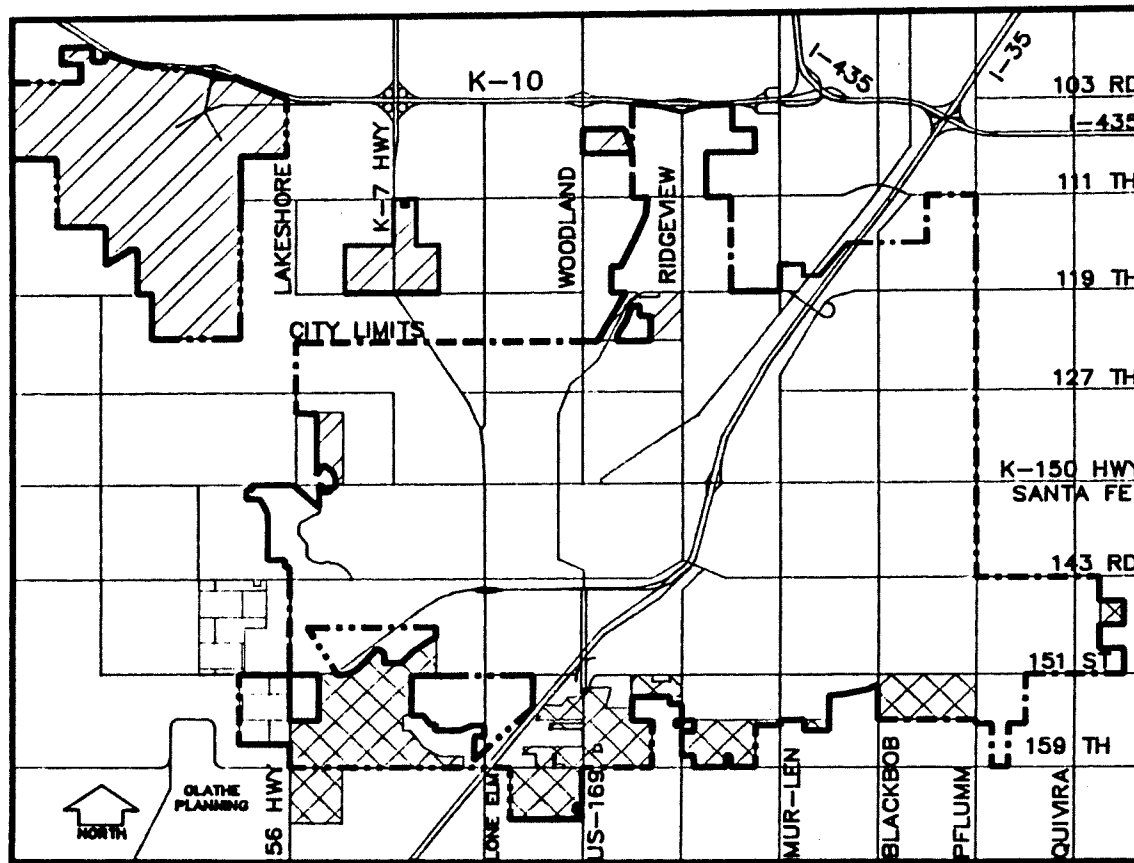
As a result, the city is providing fire protection to newly annexed areas without receiving the corresponding tax levy for its support. Fire protection in Olathe includes plan reviews, regular inspections, and other fire prevention activities in addition to emergency response. As shown on the attached fiscal note, the continued presence of rural fire district territory within our boundaries costs the city approximately \$100,000 annually in lost property tax revenue and revenue from distribution of the county sales tax. The city needs this revenue to provide these fire protection services.

Senate Bill 738 would require only that fire district territory be detached within a reasonable time following annexation by a city. Detachment would affect only a fire district levy for operating expenses. It would not effect any levy that may be in place for outstanding indebtedness of a fire district.

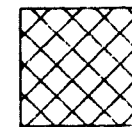
Olathe's support of this bill in no way is intended to stir up a fight with our surrounding fire districts. We have both mutual aid and automatic aid agreements in place with our districts. We fully expect to continue these mutually beneficial arrangements. However, we do believe that urban services are best provided by cities once annexation has occurred. This bill only adds a reasonable deadline to a detachment procedure that in our experience has often taken months and years to complete.

We would urge the Committee to favorably report this bill.

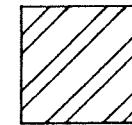
ANNEXATIONS IN RURAL FIRE DISTRICT AREAS



JOHNSON COUNTY
RURAL FIRE
DISTRICT No. 1



JOHNSON COUNTY
RURAL FIRE
DISTRICT No. 2



JOHNSON COUNTY
RURAL FIRE
DISTRICT No. 3

1983 - 1990

CITY OF OLATHE, KANSAS

7-1

FISCAL IMPACT ANALYSIS

**REVENUE LOSS AS A RESULT OF BOUNDARY
OVERLAP WITH RURAL FIRE DISTRICTS**

CITY OF OLATHE, KANSAS

The city of Olathe is currently losing significant revenue from two sources due to the continued presence of rural fire protection districts within the corporate city limits of Olathe.

Lost County Sales Tax

For distribution of the county sales tax, state statutes say that only the levy which applies to the entirety of the city will be applied against the total valuation to arrive at the "relative taxes levied" portion of the distribution formula. Since the "No Fire Levy" is applied to every property in the city and the regular levy including city fire is not, the "No Fire Levy" is used in the computation. The levy with city fire is 28.592 and the No Fire Levy is 26.229. The impact on 1990 receipts is a loss of \$77,644.

Lost Property Tax

The state statutes currently do not allow the city to assess taxes for fire protection on areas still technically within the boundaries of a rural fire protection district. However, the city is providing fire protection to these areas. Because there can be no taxation for fire protection, there is a separate levy for "no fire areas."

The city mill levy is 28.592, and the No Fire Levy is 26.229. Taking \$9,486,134 (the assessed value of areas in the no city fire area) times 2.363 (the difference between the city levy and the No Fire Levy) yields a loss in 1989 property tax receipts in fiscal year 1990 of \$22,416.

Lost 1990 Revenue

Lost Sales Tax	\$ 77,644
Lost Property Tax	<u>22,416</u>
Total Lost Revenue	\$100,060

STATE OF KANSAS

MARGE PETTY
SENATOR, 18TH DISTRICT
SHAWNEE COUNTY



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

MEMBER: ASSESSMENT AND TAXATION
JOINT COMMITTEE ON ADMINISTRATIVE
RULES AND REGULATIONS
JUDICIARY
LABOR, INDUSTRY AND SMALL BUSINESS
LOCAL GOVERNMENT

This bill would allow local government to charge a service fee for police and fire protection for tax exempt property.

Cities and counties are being squeezed on all sides. While Federal money is being cut, costs are rising and demands for services are increasing. At the same time private citizens and small businesses are being asked to pay for more.

Local government is trying to balance their understanding of the need to create more jobs in their communities with the cost of shifting the support of municipal services to individual taxpayers. The exemption of not-for-profits and churches allows many groups to provide needed community services and support with lower budgets. However, IRB's, charities, not-for-profits, churches, schools, and governmental entities comprise significant tax exempt property across the state.

At the same time the cost of providing the essential services of police and fire grow. Those costs are supported by those parties owning non-exempt property.

While statewide tax exempt data will not be available for several weeks, below are a few examples of the amount of tax exempt properties in several communities and the portion of the budget which fire service and law enforcement comprise.

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Attachment II



Kansas Association
of Homes for the Aging

Enhancing the quality of life
of those we serve since 1953.

1990 KAHA
Board and Officers

Chairperson
Lou Esplund
Minneola Nursing Home
Minneola

Chairperson Elect
Bob Bethell
Ray E. Dillon Living Center
Hutchinson

Treasurer
Marcia Schuler
Kansas City
Presbyterian Manor
Kansas City

Secretary
Roger Closson
Meadowlark Hills
Manhattan

Directors

Gretchen Barclay
Mount Joseph, Inc.
Concordia

Pat Elliott
Mount Hope Nursing Center
Mount Hope

Paul Florquist
Western Prairie Care Home
Ulysses

Robin Lowery
Valley Vista
Good Samaritan Center
Wamego

Leo Schmidt
Schowalter Villa
Hesston

Jennifer Younie
Eastridge
Centralia

AAHA Delegates

Don Curl
St. John's of Victoria
Victoria

Luella Janzen
Parkside Homes
Hillsboro

John Lehman
Apostolic Christian Home
Sabetha

LeRoy Weddle
The Cedars
McPherson

John Wells
Larksfield Place
Wichita

KAHA Staff

John R. Grace
President/CEO

Kevin McFarland
Chief Operating Officer

MEMORANDUM

Date: February 28, 1990
To: SENATE LOCAL GOVERNMENT COMMITTEE
From: John R. Grace, President
Kansas Association of Homes for the Aging

RE:Senate Bill No. 737
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Thank you Mr. Chairman and members of the
committee.

Our Association represents over 125
not-for-profit nursing homes of Kansas
sponsored by churches, community groups, and
governmental entities.

Our concerns with Senate Bill 737 are in three
areas:

1. Health Care Costs are already increasing at
a dramatic rate and by taxing health
institutions we will be raising health care
charges to the older people we serve. Nearly
50% of our residents are funded by Medicaid
which is state and federal money.

2. We believe that if the Legislature is
considering revisions in the property tax
systems and their exemptions, we should review
all types of "economic incentives" such as
enterprise zones and others breaks given to
businesses in the theme of economic
development.

3. Lines 18 & 19 refer to the "service fee"
that in its current form is too broad and
unclear on its application or formulae to be
used in setting the actual amount.

Thank you Mr. Chairman and members of the
committee.

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Attachment III



"Service to County Government"

To: Senator Don Montgomery, Chairman
Members Senate Local Government Committee

From: Bev Bradley, Legislative Coordinator
Kansas Association of Counties

Subject: SB 737 fire and police service fees

The Kansas Association of Counties is in support of SB 737. We think it is a very good idea. In this time when there is discussion of tax lids, roll backs, and proposition 13 of Kansas, local governments are concerned with providing the services that our citizens need. This service fee would help to support the essential services of police and fire protection.

TSB737

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Attachment IV