

Approved: Feb 21, 1996  
Date

## MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:00 a.m. on February 13, 1996 in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Martin, Senator Bond, Senator Clark, Senator Feleciano, Jr., Senator Hardenburger, Senator Lee, Senator Ranson, Senator Sallee and Senator Wisdom.

Committee staff present: Tom Severn, Legislative Research Department  
Chris Courtwright, Legislative Research Department  
Don Hayward, Revisor of Statutes  
Elizabeth Carlson, Secretary to the Committee

Conferees appearing before the committee: Nancy Weeks, Haskell County Treasurer, President of Kansas County Treasurers Association  
Gary Watson, Trego County Treasurer  
Rita Cline, Shawnee County Treasurer  
Mike Billinger, Ellis County Treasurer  
Matthew Goddard, Heartland Community Bankers Association  
Craig Husting, Johnson County Treasurer  
Mary Ladesic, Wyandotte County Treasurer

Others attending: See attached list

### APPROVAL OF MINUTES

Senator Martin made a motion to approve the minutes of February 7 and February 8, 1996. The motion was seconded by Senator Hardenburger. The motion passed.

### SB 602--PROPERTY TAX PAYMENT DATES

#### PROPONENTS

Nancy Weeks, Haskell County Treasurer, President of Kansas County Treasurers Association, appeared in support of **SB 602**. (Attachment 1) She offered two amendments to the bill. On page one, line 30, she asked that the distribution date of April 20th be added. This was left out of the original draft. The second amendment she offered was to make the effective date the 1997 tax year. This would provide time for planning and budget changes.

Senator Martin asked if a survey of the county treasurers had been done on this proposal. Eileen King, Riley County Treasurer, stood to say that at the meeting of the county treasurers, there were 52 county treasurers present--34 voted for the bill, 6 voted against the bill and 9 had no opinion. She said that was 71 percent of those county treasurers who were present. Ms. King also said 3 statewide mailings had been sent out and they only received letters from 4 county treasurers who were against the proposal and 2 telephoned in their reply against the proposal--1 telephone call was from a county treasurer who had also written a letter. Senator Wisdom asked if all of the county treasurers knew of the amendment being proposed. Ms. King said they did not notice that the April 20th date was omitted until the bill was printed and they changed the effective date because of the difficulty in getting ready for the change.

Senator Lee asked where the impetus for this proposal came from. Ms. Weeks replied that they were trying to help the taxpayer. Some taxpayers have difficulty in paying such a large amount in only two payments, particularly those on a fixed income.

Gary Watson, Trego County Treasurer, also appeared in support of **SB 602**. (Attachment 2) He said he thought the arguments against this proposal such as the cost of programming changes, increased administration and the need for additional staffing are legitimate concerns, but the savings to the county would outweigh the costs to the county. Mr. Watson included a table showing the revenue and he said there is very little difference in revenues resulting from having two-thirds of the money for a longer period of time. He felt

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S  
Statehouse, at 11:00 a.m. on February 13, 1996.

this legislation was revenue neutral. He also said there are extremely busy periods and extremely slow periods, the third payment would be a more efficient use of employees. Mr. Watson said there would be a savings in not sending tax receipts.

Rita Cline, Shawnee County Treasurer, said she was speaking on behalf of the Kansas County Treasurers Association. (Attachment 3) She said the cost of property taxes continues to increase, and while **SB 602** does not decrease the total tax burden, it provides a means to make it easier to pay tax liability. She said most taxpayers in Shawnee County pay by personal check, and that would suffice for a receipt. Also, Shawnee County already accepts multiple tax payments and the three payment system could be implemented with some additional expense.

Mike Billinger, Ellis County Treasurer, spoke on behalf of the Kansas County Treasurers Association in support of **SB 602**. (Attachment 4) He said there are many negative feelings concerning property tax and the Legislative Committee of the KCTA thought the three payments would provide relief to taxpayers and hopefully alleviate some of the negativity toward property taxes. Ellis County has implemented an advance tax pay program permitting the taxpayers to enter into an agreement to escrow their taxes on a monthly basis. When the taxpayers feel they can afford the payment, the total tax does not seem so overwhelming.

Senator Corbin asked about receipts to be used for paying taxes on large vehicles the first of the year. Mr. Billinger said Ellis County has the ability to use the computer system to check if the taxes are paid.

Senator Martin asked about payments on a monthly basis. Mr. Billinger said a good number of people have gone out of the escrow program with the mortgage company after this monthly service was publicized. He said this was no problem because Ellis is a small county and there is a very small cost. The county does charge \$1 per month for handling the monthly payments. Senator Martin asked if all counties had the capability to do this at all levels. Mr. Billinger said he did not know about the larger counties, that would have to be looked at very closely. Senator Martin asked what statutory authority is there to do this. Can any county do this? Mr. Billinger said their county counselor felt there was nothing in the statutes to prohibit them from paying property taxes monthly.

Staff said the statutes provide taxes must be paid on or before December 20 or June 20 and Mr. Hayward said he thought this would mean the monthly payments can be used as long as half of the taxes are paid by December 20 and half by June 20.

### OPPONENTS

Senator Langworthy called the attention of the committee to a handout from Jerry McCoy, Sedgewick County Treasurer opposing **SB 602**. (Attachment 5) Mr. McCoy listed 5 arguments against the bill.

Senator Feleciano asked Ms. Weeks, President, Kansas County Treasurers Association, to reply to these arguments. Ms. Weeks said she had not seen the letter until this morning.

1. Ms. Weeks said she did not know what Mr. McCoy was talking about when he said it will increase tax statement postage costs and processing costs up 50 percent for a third tax statement. Their studies have not shown this large amount.

2. In answer to the question about decreasing idle interest income, she said in the figures they had run, they had not come up with that substantial loss. There would be two-thirds of the money in March for for the county.

3. It would be less for the first distribution for the tax entities, but it would be more for the second distribution. This had been discussed with Dale Dennis of the State Department of Education before the legislation was proposed.

4. She said they understood this would mean more work for the county treasurer but this bill was proposed for the taxpayer, not the county treasurer.

5. On the escrow account with the HUD regulations, again there would be only one-third in December but there would be two-thirds in March.

Senator Ranson asked if KCTA would have any objection to having the payments differ in the counties. Ms. Weeks said she thought that would be confusing to the taxpayers because a number of taxpayers pay taxes in more than one county.

Matthew Goddard, representing Heartland Community Bankers Association, appeared as an opponent to **SB 602**. (Attachment 6) He said when RESPA was enacted, and the thrifts were required to pay the property tax twice a year, the impact on financial institutions was a nightmare. These regulations had a negative impact amounting to several thousands of dollars and this would occur again if **SB 602** is enacted. Mr. Goddard

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S  
Statehouse, at 11:00 a.m. on February 13, 1996.

claim half the deduction on their federal and state income tax. **SB 602** would also add another such transition year. Mr. Goddard said there would be one more time for the taxpayer to forget to pay their taxes. He also mentioned the problem with the homeowners paying off their loans on their property and then not receiving a tax statement when taxes are due.

Mr. Goddard then proposed a solution to some of these problems by RESPA and **SB 602**. He asked that it not be made mandatory to pay taxes in three installments. He proposed an amendment in his attachment which would offer a discount to homeowners who pay their real property taxes in either one or two installments. Taxpayers would experience a one-time windfall in the transition year and also local governments would experience this windfall in revenues.

Craig Husting, Johnson County Deputy Treasurer, appeared as an opponent to **SB 602**. (Attachment 7) Mr. Husting said Johnson County sends out over 180,000 real estate and personal property tax bills each year and by sending these bills out three times rather than two, it would cost the taxpayers over \$45,000 annually. He also spoke of the significant increase in interest income to counties. This would hurt the local taxing entities. It would be a shift of interest income from the local cities to the county. **SB 602** would result in lost interest income to both Johnson County and to Johnson County taxing entities if a third partial tax payment was enacted.

Senator Langworthy asked Chris Courtwright of the staff to explain the fiscal note on **SB 602**.

Mr. Courtwright said he had worked with the Budget Division and had put some figures together. The state general fund would benefit by about \$60 million because of a one time acceleration of local effort with respect to the amount of money raised by the 35 mills. The tax money paid on June 20 is not available for distribution until the succeeding school year and under this bill there would be two-thirds of the money due by March 20. The appropriation for school finance would therefore need to be about \$60 million less.

Mary P. Ladesic, Wyandotte County Treasurer, spoke as an opponent to **SB 602**. (Attachment 8) She said she was concerned about the proposed bill. She and the Wyandotte County Commissioners believe it would increase county costs while producing no measurable increase in revenue. She listed her reasons as follows:

1. Increase costs of mailing tax bills and processing tax payments
2. Homestead recipients may not receive all their approved benefits
3. Other taxing entities would be adversely affected by SB 602
4. Elimination of paid tax receipts would cause problems for taxpayers
5. Number of personal property tax bills to be sent will be dramatically increased.

Ms. Ladesic said these are some examples of the negative impact of **SB 602**.

There were no more questions from the committee.

Senator Langworthy closed the Hearing on **SB 602**.

The meeting adjourned at 12:00 noon.

The next meeting is scheduled for Wednesday, February 14, 1996, 1996.

# SENATE ASSESSMENT AND TAXATION COMMITTEE GUEST LIST

DATE: February 13, 1996

NAME	REPRESENTING
Mike Billing	Ellis Co. Treasurer <sup>+ KCTA</sup>
Gary Watson	Mingo Co. Treasurer KCTA
Eileen King	Riley Co. Treasurer + KCTA
Nancy Weeks	Wheeler Co. Treas. + KCTA
Dorinda Shelt	Pratt County Treasurer + KCTA
Joyce Walker	Lincoln Co. Treasurer - KCTA
Nancy Kemper	Douglas Co. Treasurer KCTA
Judy Grathwohl	Brown County Treasurer
Mary Padesic	Way Co. Treasurer
CRAIG HUSTING	JOHNSON County Treasurer
JASON PITTSBERGER	BRAD SMITH - KCC
M. Menten	Salisbury County
Gandy Maxwell	Johnson County
Lita Cline	Shannon County
RICHARD RODEWALD	TAXPAYERS
SONO SCHUSTER	COMMERCIAL BANK : TRUST
Kathy Olyn	KBA
Danielle Hoe	KCUA
Matthew Goddard	Heartland Community Bankers





# KANSAS COUNTY TREASURERS' ASSOCIATION

OFFICERS:

NANCY WEEKS  
HASKELL COUNTY  
President

EILEEN KING  
RILEY COUNTY  
Vice President

GARY WATSON  
TREGO COUNTY  
Secretary

LARRY TUCKER  
RENO COUNTY  
Treasurer

TO: Senate Assessment and Taxation Committee

FROM: Nancy Weeks, Haskell County Treasurer  
President Kansas County Treasurers Association

DATE: February 13, 1996

RE: Senate Bill 602

Madam Chairperson and members of the Senate Assessment and Taxation Committee.

My name is Nancy Weeks. I am the Haskell County Treasurer and President of the Kansas County Treasurer's Association. I appear before you today in support of S.B. 602.

Although I am not testifying today I do need to offer two amendments to the bill. On the first page, line 30, I ask that the distribution date of April 20th be added. This date was left out of the original draft.

The second amendment I would like to offer is that the effective date of this bill be for the 1997 tax year. This would give the schools and the counties time to plan and budget for the changes offered in this bill.

Thank you for the opportunity to speak in favor of this legislation.

I will try to answer any questions you might have.

*Sen. Assess + Tax  
Feb 13, 1996  
Attache 1-1*

To: Senate Assessment and Taxation Committee

From: Gary Watson, Trego County Treasurer  
Secretary, Kansas County Treasurers' Association

Date: February 13, 1996

Re: S. B. 602

Dear Madam Chairperson and members of the Senate Assessment and Taxation Committee:

My name is Gary Watson, I am the Trego County Treasurer and the Secretary of the Kansas County Treasurers Association. I am here today in support of S.B. 602.

This legislation is no different than any other legislation that advocates a major change, it is not supported by 100% of the Treasurers throughout the state. It is, however, supported by a majority of the members of the K.C.T.A. Some of the arguments against this legislation are; the cost of programming changes, increased administration, and the need for additional staffing. While some of those concerns may be legitimate, the savings to the county should outway the costs to the county.

I have visited with Doug Williams, President of Systems Solution, Inc. of Hays. Systems Solution, Inc. (SSI) is the software vender for the tax administration programs for about 60 counties. Doug informed me that there would be no cost to the 60 counties because of the software maintenance agreement. That agreement states that the vendor is responsible for any regulatory or statutory programming changes. That is fairly basic with all software vendors. However, some counties have their own programmers that work for the county. The cost to the county for having those programmers then becomes a matter of how you interpret the the term "costs." For instance, if the programmer spends 500 hours programming the changes, what is the actual cost to the county? After all, the programmer was being paid anyway, whether it was doing this project or another project. Some would argue that there is a cost because of loss in production on other projects. That is strictly a matter of interpretation.

The table showing the revenue is simple. I used figures ranging from \$650,000 to \$5,000,000 and the end result was the same. There is very little difference in revenues resulting from having two-thirds of the money for a longer period of time. This part of legislation would be pretty much revenue neutral. The length of time that the taxing districts have the money would make a difference on the revenues, but that amount is still going to be minimal.

*Senate Assess + Tax  
2-13-96  
Attach 2-1*

In response to the argument that it would take more personnel, the bar graph shows what happens from a collection point of view throughout the year. As you can see, the peak period would be in December. Then you will see a valley from the first of the year through June. Through the month of June, you have another peak period. By adding a third collection date, you would only fill in the valley that is created during an otherwise slower period of time in the collection process. Unless the county is using a lot of part time employees, you would only be creating work for the employees during a slow time. The offices most adversely affected would be the bigger offices. There the Motor Vehicle office and the Tax Office are seperated. In this situation, there is no motor vehicle transactions to keep these employees busy when tax collections are slow. Since there are extremely busy periods and extremely slow periods, the third payment would only create a more efficient use of employees during the slow periods.

Mr Billinger has already pointed out the increased savings in not sending tax receipts. This savings should more than offset the additional costs of administration of this project.

One of the things that I constantly remind my employees of is that we are here for the taxpayer, not because of the taxpayer. Our sole objective should be to serve the taxpayer with the highest quality service in the most efficient manner possible. If we fail to do that, then we are failing to give the taxpayer what they want, what they expect, and what they deserve from their elected officials. This legislation allows the taxpayer to make smaller payments on what is becoming a very expensive tax bill. At the same time it forces the county to make more efficient use of our human resources and the cost to the county is not going to create higher taxes for the taxpayer.

Thank you for the opportunity to appear here today, and I would stand for any questions you have at this time.



Dec Half Payment	Interest Rate	Interest Per Day	Number of Days	Interest for Period
5,000,000.00	5%	684.93	183	125,342.47
	4%	547.95	183	100,273.97
	3%	410.96	183	75,205.48
	2%	273.97	183	50,136.99

SCENERIO #1

From 12-20 Thru 6-20

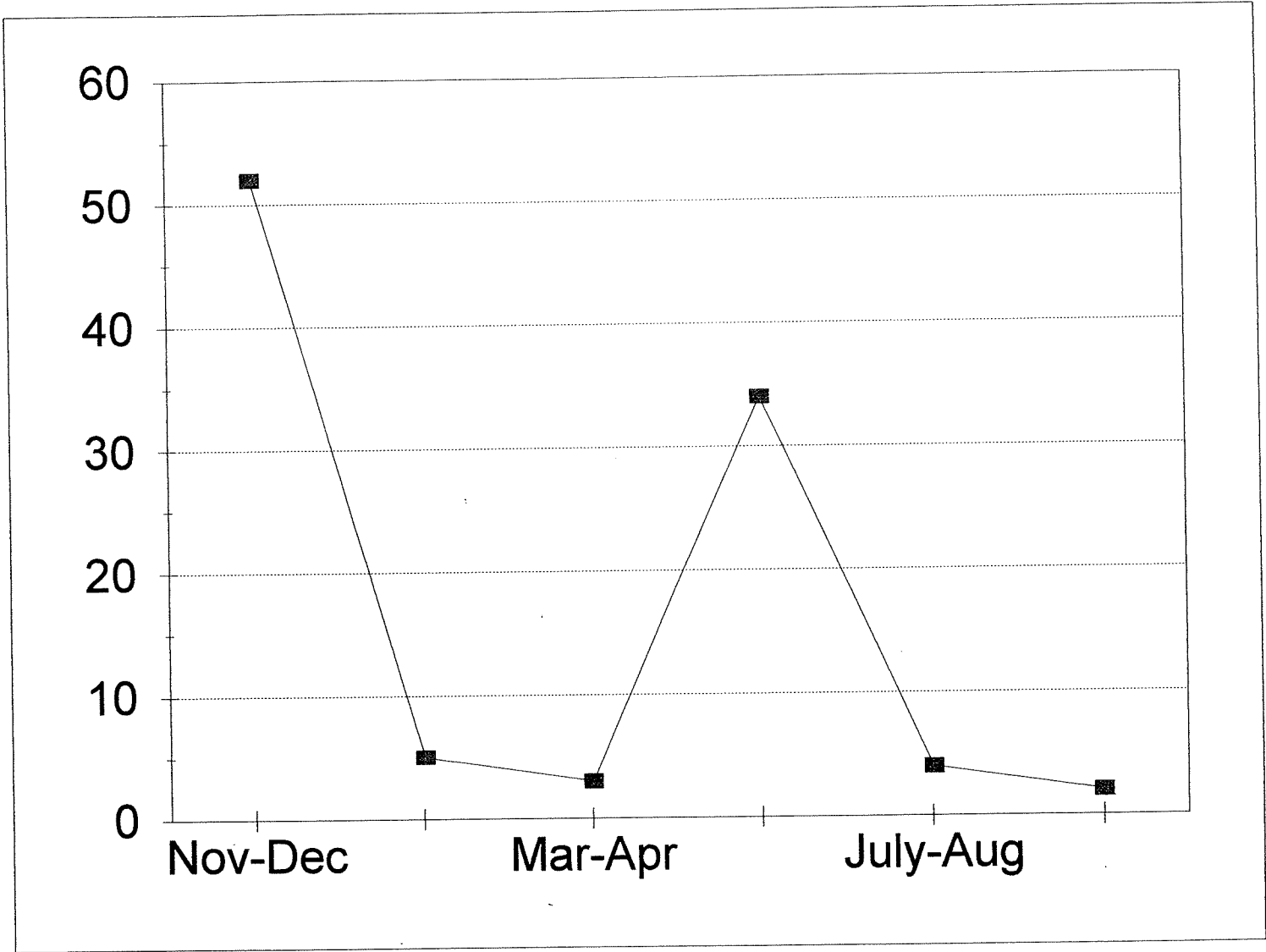
One Third December 3,333,333.33	Interest Rate			
	5%	456.62	183	83,561.64
	4%	365.30	183	66,849.32
	3%	273.97	183	50,136.99
One Third March 3,333,333.33	2%	182.65	183	33,424.66
	5%	456.62	92	42,009.13
	4%	365.30	92	33,607.31
	3%	273.97	92	25,205.48
Net Earnings	2%	182.65	92	16,803.65
	5%			125,570.78
	4%			100,456.62
	3%			75,342.47
	2%			50,228.31

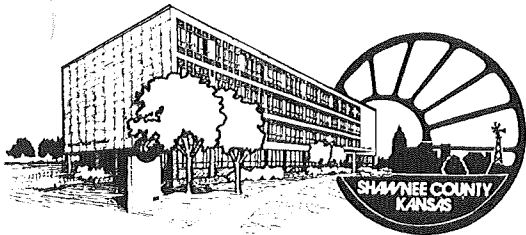
SCENERIO #3

From 3-20 Thru 6-20

Scenerio #1 indicates the current way of collecting taxes with the first half due Dec 20.  
Scenerio #2 indicates 3 payment dates of Dec-March-June.

Earnings 1/3 Payment	Earnings 1/2 Pmt	Difference	Interest Rate
125,570.78	125,342.47	228.31	5%
100,456.62	100,273.97	182.65	4%
75,342.47	75,205.48	136.99	3%
50,228.31	50,136.99	91.32	2%





**Shawnee County  
Office of County Treasurer**

Room 101, Courthouse, Topeka, Kansas 66603  
Phone 233-8200 Ext. 5161

**RITA CLINE**  
COUNTY TREASURER

TO: Senate Assessment and Taxation Committee

FROM: Rita Cline, Shawnee County Treasurer  
Member Kansas County Treasurer's Association  
Legislative Committee

DATE: February 13, 1996

RE: Senate Bill 602

Madam Chairperson and members of the Senate Assessment and Taxation Committee.

My name is Rita Cline, I am the Shawnee County Treasurer and member of the Kansas County Treasurer's Association Legislative Committee. Today, I speak on behalf of the K.C.T.A. in support of Senate Bill 602.

As you know Kansas relies heavily on property taxes to support and fund public services. Since the cost of these services continue to increase, likewise the property tax have increased. While Senate Bill 602 does not decrease the total tax burden, it certainly provides a means to make it easier to pay tax liability. As you know the December 20 due date is in close proximity with Christmas which causes many property owners to stretch their dollars on taxes, Christmas gifts and regular expenditures. Paying one-third of the tax could lighten the first tax installment and allow homeowners to have a little extra cash flow at a crucial time.

In addition to three tax payments, Senate Bill 602 allows optional tax receipts, which could benefit Shawnee County with a savings in postage, labor and materials. Most taxpayers remit their tax payments by mailing in personal checks. If they do not request a receipt, their check would serve as their proof of payment.

Because Shawnee County employs technological personnel, our office currently accepts multiple tax payments. The three payment system could be implemented with some additional expense. I am confident each county could accommodate and comply with Senate Bill 602 on or before its inception date of November 1997.

Thank you for the opportunity to speak in favor of this legislation.

Please feel free to ask me or the Shawnee County data personnel, present with me today, any questions or concerns you may have.

*Sen. Assess + Tax  
2-13-96  
Attachment 3-1*

# ELLIS COUNTY TREASURY

Mike "Mickey" Billinger  
Treasurer

Jerry Schmidtberger  
Administrative Assistant

1204 Fort • Box 520 • Hays, Kansas 67601-0520

Phone 913-628-9465

FAX 913-628-9467

To: Senate Assessment and Taxation Committee  
From: Mike Billinger, Ellis County Treasurer  
Member Kansas County Treasurers Association  
Legislative Committee  
Date: February 13, 1996  
RE: Senate Bill 602

Madam Chairperson and members of the Senate Assessment and Taxation Committee.

My name is Mike Billinger, I am the Ellis County Treasurer and member of the Kansas County Treasurers Association Legislative Committee. Today I speak on behalf of the K.C.T.A. in support of Senate Bill 602.

As reliance on the ad valorem property tax continues, it has become apparent to a number of County Treasurers that many taxpayers find it difficult to pay their tax liability in two installments. Most negative feelings concerning property tax result from having to pay increasing taxes in either full or half payments. After discussing this for several years, the K.C.T.A. Legislative Committee has decided three payments would provide needed relief to taxpayers and hopefully alleviate some of the negativity toward property taxes.

One year ago, I implemented in Ellis County an advance tax payment program permitting taxpayers to enter into an agreement to escrow for their taxes on a monthly basis. From this program I have learned that taxpayers are more concerned about the amount of the payment as opposed to the total tax liability. Once taxpayers feel they can afford the payment the total tax does not seem so overwhelming. I'm certain most taxpayers would prefer paying less taxes, but in lieu of this, it is almost as important to maintain a reasonable payment amount.

SB602.WPS

*Sen. Assess + Tax*  
*2-13-96*  
*attach 4-1*

Also from the advance tax program I have concluded taxpayers do not find it necessary to receive a receipt for every payment made. In order to provide a cost effective monthly payment option in Ellis County, it was imperative to streamline the collection process. This was done by eliminating receipts, since canceled checks or bank debits served for the same purpose. The subject of issuing receipts is addressed in Senate Bill 602. Many County Treasurers feel that taxpayers would not expect a tax receipt if one was not required. For that reason the K.C.T.A. Legislative Committee is requesting that tax receipts be a local county option as determined by the County Treasurer. However if a taxpayer requests a receipt one would be required to be issued. Depending on the internal operations in the Treasury, the non-issuance of tax receipts could be a realized savings of \$0.50 to \$0.75 per receipt. Postage alone is \$0.32, not to mention the cost of receipt paper, envelopes and handling expenses. Projected savings in Ellis County in the second year should be approximately \$6,650.00 and should increase in subsequent years. These savings could be used to defray any additional costs associated with the three payment process. If Senate Bill 602 becomes law there may be other direct savings. The property tax collection process undoubtedly is one of the most expensive tax collection systems used by the government today. I think it is imperative that we make every effort to streamline this system and in the process make it more palatable for the taxpayer.

Lastly, the concept of three payments is not universally accepted by county treasurers. Not all county treasurers have the flexibility in the management operations of their respective offices to convert from a two payment process to a three payment process without a great deal of difficulty. Therefore we are proposing its implementation not take effect until November of 1997. This should be sufficient time for all county treasurers to budget, program and convert supplies to the three payment process. In addition we request that SB 602 be amended to include a distribution date of April 20th. This was inadvertently stricken from the final draft of SB 602.

In conclusion if there are any questions concerning my presentation I would be happy to answer them at this time. Once again, thank you for the opportunity to show my support of Senate Bill 602.

# COST TO MAIL PAID RECEIPTS BACK TO TAXPAYERS

RECEIPT ..... .03

ENVELOPE ... .02

STAMP ..... .32

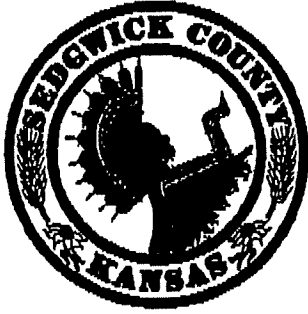
PROCESSING . .39 (Processing statement, stuffing envelope, applying postage. App. 3 minutes/\$8.00 hour)

**TOTAL ..... .76 cents to process paid receipt.**

Approximately 12,500 statements mailed in November.

12,500 x 80% = 10,000 payments made by mail  
x 85% = 8,500

**.76 Cents x 8,500 envelopes = \$6,460.00 per year**



# SEDGWICK COUNTY, KANSAS

## TREASURER

Jerry McCoy  
SUITE 107

COUNTY COURTHOUSE, WICHITA, KANSAS

MAILING ADDRESS: P.O. BOX 2909, WICHITA, KANSAS 67201-2909

PERSONAL PROPERTY TAXES/VEHICLE REFUNDS  
REAL ESTATE TAXES

388-7661  
388-7414

FAX  
DISTRIBUTION AND BONDS  
CASHIER

316-388-7113  
388-7661  
388-7846

February 12, 1996

**Senate Assessment and Taxation Committee Members:**

Senator Audrey Langworthy  
Senator David Corbin  
Senator Dick Bond  
Senator Stan Clark  
Senator Janice Hardenburger  
Senator Pat Ranson  
Senator Don Sallee  
Senator Phil Martin  
Senator Paul Feleciano, Jr.  
Senator Janis Lee  
Senator Bill Wisdom  
Statehouse  
Topeka, Kansas 66612

RE: S.B. 602 - Time of Payment of Property Taxes  
1/3 installments due December 20, March 20 and June 20  
Elimination of "paid" tax receipt

Dear Senator:

This letter is to advise you of my concerns regarding the above Senate Bill.

Although this Bill was requested by Nancy Weeks, President, Kansas County Treasurers Association, this major initiative was taken without any opportunity for discussion or input from all KCTA members. County Treasurers from the largest counties as well as some other county treasurers who have called me, do not support the three installment payment provision of S.B. 602.

*Sen. Assess + Tax  
2-13-96  
attach 5-1*

**S.B. 602:**

- 1) Will increase tax statement postage costs and processing costs up to 50% for a third tax statement.
- 2) Will decrease idle interest income to the general fund of Sedgwick County by an estimated \$386,797 each year.
- 3) Will delay the collection and disbursement of an estimated \$46,000,000 in tax revenues available for the first tax distribution of the fiscal year for all Sedgwick County taxing districts (schools, cities, county and townships).
- 4) The extra workload on the Treasurers Office would require additional employees and equipment to collect the same amount of taxes in smaller and more numerous remittances.
- 5) Taxpayers with escrow accounts which paid 100% of tax liability in 1994, which were reduced to a 50% tax payment in 1995 due to new HUD regulations, would lose another 17% in income tax deductibility in 1996. (December 20 Tax Payment reduced from 50% to 33 1/3%)

Treasurers currently have a local option to accept partial tax payments rendering the mandate of S. B. 602 Sec. 2(a) unnecessary.

Furthermore, I also oppose the provisions of Sec. 3(d).

I believe that a "paid" tax receipt should be required for all payment of taxes to the County Treasurer with payment by check being the only exception. (A canceled check should be an adequate tax receipt.)

County treasurers should be required to provide a tax receipt for all cash payments in order to provide an accurate audit trail for the proper crediting of tax payments. As a county treasurer I would of course, provide a "paid" tax receipt to any taxpayer requesting such without a statutory requirement.

Unfortunately, these portions of S.B. 602 are another example of unfunded mandates to local government which are not cost effective nor in the long-term interest of the public.

I urge you to actively oppose the three-installment tax payment provision of S.B. 602 [Sec. 2 (a)] as well as the provisions of Sec. 3(d).

Sincerely,



Jerry McCoy  
Sedgwick County Treasurer





Matthew S. Goddard, Vice President

700 S. Kansas Ave., Suite 512  
Topeka, Kansas 66603  
(913) 232-8215

To: Senate Assessment and Taxation Committee

From: Matthew Goddard  
Heartland Community Bankers Association

Date: February 13, 1996

Re: Senate Bill No. 602

The Heartland Community Bankers Association appreciates the opportunity to appear before the Senate Committee on Assessment and Taxation to express our concerns relating to SB 602.

This legislation would amend KSA 1995 Supp. 79-2004 to add a third installment date, March 20, for real property tax payments. As the law is now written, one half of the real property tax due is payable on or before December 20 and the other half is due on or before June 20. SB 602 would allow for one-third of the real property tax due to be paid on each of the three installment due dates.

Attached you will find a report from the Legislative Research Department. This memorandum was prepared for the 1995 Interim Special Committee on Education. Property tax payments and their frequency warranted an interim study early last year following the implementation of new rules issued by the federal Department of Housing and Urban Development. The rules, affecting the Real Estate Settlement Procedures Act (RESPA), require that lenders who pay property taxes out of escrow accounts make the disbursements on an installment basis rather than an annual basis unless penalties or discounts make a lump payment advantageous to the borrower.

### **Impact of RESPA on Kansas Property Taxes & Financial Institutions**

Kansas thrifts collect and forward on to county treasurers upwards of \$100 million in real property taxes every year. Traditionally, Kansas lenders, including most thrifts, paid the full or extra real property tax in December. Under the new Federal regulations, however, they were suddenly required to pay them twice a year. The impact on financial institutions was a nightmare. First, mortgage loan servicing software programs had to be rewritten to account for the new installment payment. In addition, the new rules doubled the amount of employee hours that had to be dedicated to the task of paying property taxes, not including the one time burden of switching the payment method on every single loan.

*Sen. Assess + Tax  
2-13-96*

We estimate that the RESPA regulations issued last year had a negative impact on Kansas thrifts amounting to several thousands of dollars. We would expect other members of the financial community to be similarly affected. These same costs would occur again this year if SB 602 created a third installment payment.

### **Impact of RESPA on Kansas Property Taxes & Taxpayers**

The adjustments in escrow account payments triggered by the new HUD regulations also adversely impacted homeowners. In the past, a homeowner deducted a full year's property tax payment from their federal and state income taxes. However, because only half of the payment for FY 1996 was made prior to December 31, 1995, taxpayers who are now computing their taxes will discover they can only claim half the deduction to which they are accustomed.

When lenders made the switch from one payment to two, it was expected that the tax deduction would return to its usual amount after the transition year. For example, while only half of the real property tax due was paid in 1995, two halves would be paid in 1996. The passage of SB 602 would negate this thinking. With the possible new installment, only a third of the tax would be paid in December of 1996. A homeowner would then be missing one-sixth or about 16 percent of their deduction for 1996. This bill would delay homeowners from claiming their full deduction until 1997.

### **Impact of RESPA on Kansas Property Taxes & Local Governments**

County governments are not immune to the negative side effects of adding additional installment payments. Due to collecting much less than usual in real property taxes in December, the interest income that local governments have grown used to has suddenly disappeared. At the same time, cash flow has been delayed. I have attached several newspaper articles highlighting these facts and providing actual numbers and other data.

Again, these problems were to have gone away after the transition year. Senate Bill 602, by adding a new installment, would essentially add another transition year with the much the same sting as that experienced by homeowners. Instead of receiving half of their taxes in December 1996, local governments would only receive a third and would have to wait until March to receive the additional tax revenues.

Like financial institutions, counties would face an increased processing burden by having their workload first doubled by RESPA and then increased again by SB 602.

### **Other Problems with RESPA and Kansas Property Taxes**

By requiring an additional payment, the chances of a taxpayer experiencing trouble have doubled with RESPA and would triple with SB 602. The number of opportunities for someone to simply forget to pay their real property taxes or for the postal service to lose a tax payment is greatly increased with the proposed bill.

A common problem occurs with property taxes in larger population centers such as Johnson, Sedgwick and Shawnee counties. The tax statements for the larger counties are delivered to financial institutions on electronic tape. In the past and presumably in the future, these tapes are prepared well before the property

tax due date. As a result, homeowners who have paid off their loans in the interim do not get a tax statement. The lender will then notify the county of this information and it is then up to the local government to forward a tax statement to the homeowner.

It is my understanding from talking with our membership that the situation occurs every December where a number of homeowners do not receive a tax bill from the county treasurer and so payment is not made. The taxpayer is then left to deal with the consequences of delinquent property tax payments. One of our member institutions estimated that, with only one payment a year, this scenario happens to around a hundred of its former borrowers. That number from just one thrift could be expected to triple with SB 602.

Another problem is accurately determining the property tax due with each installment. The figure was easy enough when only one payment was made, became a little more difficult when RESPA made the amount divisible by two and would become much more difficult if divided by three, as required by SB 602.

### **Solution to problems posed by RESPA and SB 602**

As long as the Legislature and this Committee are considering changes to the installment method of property taxes, the Heartland Community Bankers Association would like to propose a possible compromise solution which we feel benefits all parties. The amendment has been attached and would offer a discount to homeowners who pay their real property taxes in either one or two installments, following the federal guidelines issued by HUD. If this committee believes that some taxpayers are better served by three installments, then we would ask that it not be mandatory for all homeowners with mortgage loans.

The amount of the discounts as the amendment is written is a percentage we have inserted so that the amendment is specific. The Heartland Community Bankers Association would like to defer to the judgement of this Committee as to the actual discount amount since this is a policy decision.

Our Association was not excited about the mandated switch from one to two installments payments. The costs every year under RESPA are now essentially doubled what they were prior to the new rules' implementation. Despite the headaches and costs associated with changing the number of payments, some of our members would be willing to again undergo the change if they were allowed to return to one payment. They view the long-term cost savings of fewer payments as outweighing the one time expense of switching back.

Taxpayers would benefit from the discount applied to their real property tax payment. They would also experience a one-time tax windfall in the transition year. Local governments would also experience a one-time windfall in revenues and their cash flow is likely to improve.

Our concerns with SB 602 would be lessened with the proposed amendment. The Heartland Community Bankers Association has serious concerns with thrifts and other lenders being forced into a three installment payment method for real property taxes.

Thank you.

# MEMORANDUM

## Kansas Legislative Research Department

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July 26, 1995

To: Special Committee on Education

Re: Proposal No. 21 -- Impact of RESPA Rule

### Introduction

This study results from concerns about a recently adopted federal Department of Housing and Urban Development (HUD) rule that, among other things, affects the flow of property tax receipts to political subdivisions in Kansas. More specifically, it is the potential impact on school district general fund budgets and, therefore, on aid from the State General Fund to school districts that has prompted this study.

The rule, adopted in connection with HUD's administration of the Real Estate Settlement Procedures Act of 1974 (RESPA), concerns the maintenance of escrow accounts on home loans administered by lenders or loan servicers. The "final rule" was published October 26, 1994, and was assigned an April 24, 1995, effective date. Later, on February 15, 1995, the effective date was delayed until May 24, 1995.

### Background

RESPA sets out statutory limits on amounts that lenders legally may require borrowers to deposit in escrow accounts both at the time an escrow account is created and during the lifetime of the account.

Until recently, HUD had interpreted the escrow accounting portions of the law only by informal opinion and by one interpretive rule (dated January 21, 1993). The new rule was prompted by litigation initiated by various state attorneys general and private class-action plaintiffs. This litigation raised issues regarding "over-escrowing" by the mortgage servicing industry.

### Purpose of the Rule

HUD explains that it developed the proposed rule based upon a "consumer oriented approach." The rule is expected to:

- reduce the cost of home ownership by ensuring that funds are not held in escrow accounts in excess of the amounts necessary to protect the lender's interest in preserving the collateral;
- establish reasonable, uniform practices for escrow accounting; and

- provide servicers with clear, specific guidelines on the requirements of the accounting procedure.

### Main Policy Change

HUD's review of the issue revealed that the prevailing escrow accounting practice being followed is called "single item analysis." Under this approach, the lender accounts for each escrow item separately. The alternative to the single item analysis is the "aggregate analysis" approach, under which the escrow account is administered as a whole.

The finding was that the lender could collect more money under a single item analysis than under aggregate analysis. Attorneys general of numerous states have claimed that the single item analysis has resulted in substantial over-escrowing of consumers' money. HUD's own study reached the same conclusion. As a consequence, the HUD rule requires conversion to the aggregate accounting methodology. This must be accomplished within a three-year period.

### The Property Tax Payment Issue

It is in connection with this HUD initiative that the **property tax** payment issue materialized. The federal regulation (24 CFR §3500.17) includes a series of definitions relative to the requirements for escrow accounts. In this regard:

"Disbursement date" means the date on which the loan servicer actually pays an escrow item from an escrow account. **The rule is that the disbursement date is a date on or before the earlier of the deadline to take advantage of discounts, if available, or the deadline to avoid a penalty.** (Emphasis added.)

On May 5, 1995, HUD responded to questions that had been raised about the matter of installment payments versus a one-time payment with a discount. In this response, HUD stated:

The preamble to the October 26, 1994, and February 15, 1995, rules indicated that when a choice was available, servicers should make disbursements on an installment basis; however, servicers were permitted (but not required) to make disbursements on an annual basis if a discount were available. Once the choice of payments is made, the disbursement date chosen for that basis depends on discount and penalty dates.

HUD emphasized this interpretation was consistent with the rule ". . . which is designed to avoid excessive upfront payments and balances in escrow accounts and, therefore, favors installment payments, unless there are penalties or discounts that make annual payments advantageous to the consumer." (Emphasis added.)

HUD further noted that, after the settlement, **nothing prevents the servicer and borrower from mutually agreeing, on an individual case basis, to a different payment basis or disbursement date.**

## Application of the HUD Rule

The rule concerns escrow accounts involving "federally related" mortgage loans. A HUD staff member explained that this terminology includes virtually all home mortgage loans.

**Property to Which the Rule Applies.** Included are loans secured by a first lien on residential property upon which there is located or will be constructed a ". . . structure or structures designed principally for the occupancy of from one to four families (including individual units of condominiums and cooperatives and including any related interests such as a share in the cooperative or right of occupancy of the unit)," or "upon which there is located, or will be placed . . . a manufactured home."

**Lenders to Whom the Rule Applies.** The law applies to lenders whose deposits or accounts are insured by any agency of the federal government or to any loan made by any lender regulated by any agency of the federal government. It also applies to any loans made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way by the Secretary of HUD or any other officer or agency of the federal government or under or in connection with a HUD program or related program administered by any other such officer or agency. The rule also applies to any loan intended to be sold by the originating lender to the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Association (or successor), or a financial institution from which the loan is to be purchased by the Federal Home Loan Mortgage Association (or successor). Further, the rule applies to loans made by any creditor, as defined in the Consumer Credit Protection Act, when the creditor makes or invests in real estate loans aggregating more than \$1.0 million per year. (State agencies or instrumentalities are excluded from this "creditor" definition.)

## The Kansas Law

**Under Kansas law, there is no discount for early payment of taxes. A two payment installment method is available to taxpayers.** Property taxes must be paid in full by not later than December 20, or, at the taxpayer's option, one-half of the taxes may be paid by December 20 and the remaining one-half must be paid prior to June 20. However, if the amount due is \$10 or less, the full amount of the taxes must be paid on or before December 20 (K.S.A. 1994 Supp. 79-2004).

The law (K.S.A. 12-1678a) directs the county treasurer to distribute taxes to political subdivisions on or before January 20, July 20, and October 31. These amounts are the estimated amounts owed to the taxing subdivision, but must be not less than the amount actually collected as of not more than 20 days before the distribution date. Also, distribution must occur on or before the last business day before March 5, May 20, and September 5, in an amount not less than 95 percent of the estimated amount collected for and owed to each taxing subdivision, but not less than the amount actually collected as of not more than 20 days before the distribution date. (The law also permits the board of county commissioners and the governing body of any taxing subdivision to enter into agreements providing for the distribution of taxes and interest earnings using alternative methods.) The January 20 and July 20 dates are when most of the real estate taxes are distributed.

## Implications of the RESPA Rule for Kansas

**Overview.** Our understanding is that, in Kansas, the prevailing practice of servicers of residential mortgage loans has been for the servicers to make a single payment in December of the full amount of real estate taxes due. It now appears that this practice is likely to change and that, absent any

legislative action to the contrary, the prevailing practice will become the making of two "installment" payments, each consisting of one-half of the real estate taxes due. These payments would occur on about December 20 and June 20 of the tax year. **How quickly this will occur and what the fiscal impact will be are questions that have not yet been fully answered.**

Based upon early publicity about this issue, one might expect that the conversion to the installment method of making property tax payments would be implemented in 1995 and 1996, for taxes due for the 1995 tax year. However, it currently appears this conversion more likely will be spread over a two-year period. In this regard, it should be noted that HUD officials explain the installment payment implementation requirement applies:

- to any new mortgage loan escrow account created after May 24, 1995 (the effective date of the RESPA regulation), and
- at the time of the next annual escrow account analysis.

HUD also emphasizes that the loan servicer and the consumer can agree on an alternative payment method.

Nonetheless, there exists considerable confusion about how implementation will occur and what the impact will be. For example, an article in the *Kansas City Star* (May 26) stated that Capitol Federal Savings and Loan Association intends to make the full tax payment for 1995 in December, and then move to installment payments commencing with the 1996 tax year. Actually, Capital Federal already is implementing the installment approach on new loan origination. An article in the *Wichita Eagle* (June 25) provides an example of a loan owned by NationsBanc concerning which the home owner was told that in compliance with RESPA, the installment method of paying taxes would be implemented in 1995. The article noted that NationsBanc owns about 600 home loans in Sedgwick County, and that NationsBanc is just one of 335 mortgage companies doing business in Sedgwick County. The article cited Railroad Savings as taking the position that the customers will be allowed to choose the tax payment method to be used. Sedgwick County Treasurer, Jerry McCoy, is quoted as saying "I have talked to four of these companies, and the only thing I can say for sure is that each one of them is handling it differently." The article reports the view of the Kansas Bankers Association is that the RESPA rules require that lenders do what is in the customer's best interest, which, based on the income tax deduction for property taxes, the Association believes to be the one payment alternative.

### Specific Concerns

Following are some of the concerns that have been raised regarding the impact of the RESPA rule:

- The increase in the number of financial transactions that will occur as a result of implementation of the rule will increase the administrative workload, and, thus, administrative costs, both for county treasurers and for loan servicers.
- Interest that political subdivisions have been able to earn by virtue of having more property tax money earlier in the year will be foregone.
- Some political subdivisions might experience cash flow problems during the transition period.

## Cash Flow Issue

The general pattern has been that about two-thirds of property taxes are distributed in January through June and about one-third are distributed after July 1. The expectation now is that this relationship will be changed so that the percentage of property taxes available in the first months of the calendar year as compared with the last months will be reduced.

While there are exceptions, most political subdivisions, with the notable exception of school and community college districts, operate on a fiscal year that coincides with the calendar year. These units will be concerned about the cash flow and foregone interest issues. However, they still will receive during their fiscal year cycle the amount from property taxes that would have been received without the RESPA rule. The situation is different for school districts and community colleges. They will experience an actual loss in property tax revenues in the transition year (or years, as the case may be).

School districts and community colleges, no doubt, have been taking this matter into account as they have been developing their 1995-96 budgets. In the case of community colleges, it is likely for operating purposes that spending levels as well as student tuition, property tax levy, and carryover balance policies all will be carefully scrutinized. School districts will be concerned about the impact on the local option budget (LOB) and on bond payment obligations, but they have authority to impose a tax levy sufficient to fund the LOB that is authorized for the school year and to meet bond payment obligations. However, it is the potential impact of the RESPA rule on funding for school district general fund budgets that has caused this issue to become the subject of an interim legislative study.

When determining the appropriation that is needed for general state aid in order to fund school district general fund budgets for a school year, the Legislature estimates the total of school district general fund budgets by multiplying Base State Aid Per Pupil (BSAPP) by the estimated weighted enrollment for the school year and subtracts from this number various items of "local effort" (local revenue resources) that will be available to help fund school district general fund budgets. These local resources include the uniform 35 mill property levy (by far the largest of the "local effort" items), motor vehicle taxes (now being phased-out as a school district general fund revenue source), and a variety of much smaller items. The difference between the total general fund budget and local effort is the estimated general state aid requirement for the school year.

As a result of these calculations, the 1995 Legislature approved an expenditure of \$1,316,169,000 from the State General Fund to fund FY 1996 school district budgets. If school district budgets are underestimated, if local effort revenues are overestimated, or if a combination of errors in enrollment and local effort estimates results in the need for an amount greater than the currently available expenditure amount, the 1996 Legislature will be faced with either providing a supplemental appropriation to make up the difference between the amount needed and the amount available or permitting a BSAPP underproration.



The 1995 Legislature did not learn of the potential impact of the RESPA rule until very late in the session. By the time of adjournment it still was not certain if the rule would affect mortgage servicer property tax payment practices, or, if it did, what the fiscal consequences would be. Thus, no attempt was made to adjust the FY 1996 appropriation for school district general state aid to address this issue.

### Some Policy Options

No doubt, during the course of the Committee's study, alternatives other than those listed below will be suggested as a means of dealing with the consequences of the RESPA rule. However, here are a few of the possibilities that might be considered:

1. Do nothing. The assumption here would be that the political subdivisions would be able to cope during the transitional period to the new property tax paying pattern. Insofar as school districts are concerned, if necessary, BSAPP could be prorated. (Under current law, before BSAPP proration occurs, the currently scheduled step for implementing the correlation weight feature is delayed.)
2. Do nothing except, if needed, provide a supplemental appropriation for school district general fund budgets in FY 1996 in order either to prevent or minimize a BSAPP proration.
3. Move to an earlier date the June 20 deadline for payment of the second installment of property taxes and provide for the distribution of these taxes prior to July 1. This would produce a one-time windfall for community colleges and school districts and could reduce the State General Fund requirement for school district general state aid in the year of implementation. There, no doubt, would be taxpayers and, perhaps, others who would not look favorably upon accelerating tax payment dates. A variation would be to change the date for real estate taxes but not for personal property taxes.
4. Move to a three installment method for paying property taxes with the second payment being due in March or April and the apportionment occurring in April or May and fix the last two payments at 10 percent and 40 percent, respectively, or set some other combination designed, in effect, to maintain essentially the current fiscal year property tax distribution pattern. Taxpayers, county officials, and mortgage servicers probably would object to the additional payment and related processing requirements.
5. Eliminate the two-payment installment method of paying property taxes and require single annual payments. This would be advantageous to local units of government who would benefit from greater interest earnings on idle funds. There also would be a one-time "windfall" to the state in terms of school district general state aid requirements in the implementation year. Many taxpayers could be expected to oppose such a plan. (This change could not be implemented until tax year 1996 at the earliest, so it would not affect the FY 1996 situation.)
6. Retain the installment method of paying real estate taxes, but offer a "discount" for a single, lump sum payment of property taxes. (Such a plan could not be

implemented until tax year 1996 at the earliest, so it would not affect the FY 1996 situation.) This approach would alter somewhat taxpayer behavior. The size of the discount would be a critical factor.

7. Petition HUD to change its rule to better accommodate existing practices. (So far, communications along these lines from various parties representing state and local governments have had little impact.)

# Escrow rules will cost tax dollars

## HUD tries to address consumer complaints

By SANDY WEST

The city, county and Wichita public school district stand to lose more than \$1.3 million in interest income next year, thanks to new escrow-account regulations.

The Department of Housing and Urban Development, after hearing what it calls "widespread allegations" that mortgage companies were padding escrow accounts, developed the new regulations. Among other things, the new rules force companies that service mortgages to pay real estate taxes on all federally regulated mortgage loans in two payments — rather than in one lump sum.

Mortgage-service companies are allowed to collect upfront an amount equal to the largest negative balance they will incur during the year to pay property taxes. If taxes are paid more frequently, the negative balance — and hence the amount needed to start an escrow account — will be lower.

A HUD official said Tuesday that a study of escrow accounts nationwide indicated some were "wildly over-escrowed" while others were underfunded. The official said the problems likely were not intentional on the part of lenders but were attributable to sloppiness.

Whatever HUD's motivation, changes in the Real Estate Settlement Procedures Act, which gave HUD authority to oversee escrow payments, could prove costly for local taxing districts in 1996.

Local governments will see about half their 1995 real estate tax revenue delayed six months, Sedgwick County Treasurer Jerry McCoy said. Local budget officers say the wallop will come not only from the delayed cash flow, but from the loss of interest that could be earned on idle funds.

According to McCoy's figures, which are estimates based on 1994 taxes paid:

- The Wichita public school district stands to lose more than \$490,000 in potential interest from the delayed payment of \$8.3 million in property taxes.

- The city of Wichita could forgo \$621,501 in interest income on a six-month delay of \$21.1 million in property taxes.

- Sedgwick County could lose \$227,709 on a six-month delay of \$7.7 million in property taxes.

The impact of the RESPA changes likely will be felt for an 18-month budget cycle. Officials believe cash flows should level off in 1997, alleviating some pressure put on budgets by the slower flow of funding and interest income lost in the first half of 1996.

"I can tell you it would be devastating," said Bill Reagan, with the Wichita public schools.

For Reagan, who said the last months of the fiscal year are typically tight anyway, the lost cash flow looms particularly large. More than 80 percent of its budget is tied to salaries.

"I'm not going to tell you I wouldn't have any money," Reagan said. "But I certainly wouldn't have enough money to pay our bills. It's scary."

Charles Edmond, superintendent of the Goddard school system, told a group of citizens last week: "Honestly, this means a whole lot more money from our wallets than his car-tax thing that has been in the paper everyday."

The immediate effect of RESPA on the Goddard school district will be a six-month delay in more than \$150,000 in property taxes and the loss of about \$4,000 in interest income. For a school district that recently passed a \$19.8 million bond issue for school construction that could pose a big problem.

One possible solution, Edmond said, is a short-term mill levy increase to fully fund the local option budget and debt service on the bonds.

That is a proposition faced by many Kansas school districts, said Dale Dennis, with the state Department of Education. In addition, he said, proportionate changes in the distribution of real estate taxes could force districts to seek additional aid from the state.

If most Kansas school districts are forced to seek additional state funding, that could mean the state Legislature and Gov. Bill Graves would have to revisit the state general fund budget, Dennis said.

Rep. Todd Tiaht, R-Kan., said Tuesday that the RESPA changes may need to be accompanied by companion state legislation to help with the 18-month cash flow problem many are predicting.

Tiaht, who is serving on a congressional task force studying the abolishment of four governmental agencies including HUD, said many legislative leaders were unaware of the potential impact of the RESPA changes. He admitted that it was an issue he was not fully familiar with and said that he would continue to look into it.

"I simply can't tell you what the impact could be," said Ray Trail, the city of Wichita's director of finance.

Roger Clark, city treasurer, said the RESPA changes wouldn't affect the county's ability to make bond payments. But he said that interest earned on idle funds goes primarily to the general fund and debt service fund.

The city council could be forced to re-evaluate expenditures for line items in the general fund. The general fund includes money for the police and fire departments and general government activities. Trail said he doubted the council would take money away from that fund.

And he said while the impact of RESPA changes could be significant by itself, the impact is compounded by having to deal with the loss in car-tax and sales-tax revenue from recent state legislative action.

"It's like one more thing that's out there that's diminishing local government incomes," Trail said. "You start wondering ... when are they going to start realizing ... that cumulatively that this is going to have an impact on our resources?"

With the RESPA changes, which will go into effect May 24, all new escrow accounts must be paid in installments. Lenders with escrow accounts opened prior to May 24 have three years to shift all accounts to the installment method.

Despite the three-year window, a HUD official said the agency expected most lenders to immediately switch payment methods.

Two companies holding about half the estimated 70,000 escrow accounts have notified McCoy that they plan to immediately switch to the installment-pay method. Other local lenders that service mortgages said they will also switch. One lender said it would contact their customers to discuss the options.

# Tax change to hit local governments

By Molly McMillin  
The Wichita Eagle

School districts, cities and counties are about to be hit in the pocketbooks because of a decrease in property-tax dollars county treasurers will collect this week.

The shortfall is the result of new federal regulations that, beginning this year, require mortgage-holders to pay their customers' property taxes in two installments rather than one.

The rule applies to mortgages that are paid into escrow accounts.

The U.S. Department of Housing and Urban Development made the changes to limit the amount of reserves that lenders can keep in escrow accounts.

Instead of paying a full year's taxes on properties on Wednesday, lenders will only pay half. The remainder will be paid next year, to meet the June 20 due-date for the final half of the taxes.

That means cities and counties — which normally put that extra six months' worth of tax payments in the bank — will have to get by this year

without the interest they would have earned on the money.

No one has estimated the potential loss to city and county governments statewide. But Sedgwick County Treasurer Jerry McCoy said his office could collect as much as \$30 million less on Dec. 20 than it did last year.

Last year, the advance second-half payments from escrow accounts generated an additional \$821,000 in interest income for the county and city of Wichita.

Roger Clark, Wichita city treasurer, said it is too soon to gauge the impact, though the loss is not expected to affect debt payments or services.

The impact on Sedgwick County's budget will not be known until mid-June, said Becky Allen-Bouska, county budget director.

But if the economy stays strong and interest rates rise, the county may be able to make up much of the lost interest and the overall effect may be small, Allen-Bouska said.

Butler County Treasurer Beverly

See TAXES, Page 12D

## TAXES

From Page 1D

Lefever said she notified taxing districts to expect less funding than last year. But it is difficult to say how much less, she said.

Because it is only a one-time change in procedure, cities and counties will be back on track next year.

The situation is different for school districts. Unlike local governments, which use a calendar-year budget, school districts start their fiscal year July 1.

They can't wait six months for the money they need to meet this year's financial obligations.

To help offset that immediate loss, local taxes have been increased, said Dale Dennis, assistant state education commissioner.

The levy for the Wichita district went up nearly 1 mill (one-tenth of a cent), said Linda Jones, treasurer for the district.

Some construction projects must be delayed until this summer, when mortgage lenders pay the rest of their customers' taxes, Jones said.

The balance of the loss to schools will have to be made up from the state's general fund or budget cuts.

The Legislature has formed a committee to examine the effects.

"It was a real shocker to us," said Sen. Barbara Lawrence, R-Wichita, chairwoman of the special committee and of the Senate Education Committee. "We had no idea what the impact was at last session."

Lawrence said she thinks the state ultimately will have to make up the shortfall — about \$3.4 million statewide, according to the Kansas Legislative Research Department.

The actual shortfall in state funding will be closer to \$30 million, Lawrence said. But much of that can be absorbed because, among other things, some districts did not use all of their budgeted money this year and fewer students are projected to be attending public schools next year.

Wichita Eagle 12-19-95

## TAXES

From Page 1C

lose a refund (equal to the half-year payment) you'd otherwise get from your escrow account.

An official at Capitol Federal Savings and Loan Association said the company prefers customers to contact them first. If customers come in on or before Wednesday, they will take care of them on an individual basis.

Fourth Financial Corp. officials said they will work with customers as close to the end of the year as possible.

Other lenders, such as Emprise Bank, Fidelity Savings and Loan Association and Commercial Federal Mortgage Corp., say it's too late to change the escrow arrangements this year because they have already mailed or are getting ready to mail the tax payments.

If you are making the second-half tax payment — the one due June 20 — the treasurer's office would like you to do so this week. Jerry McCoy, Sedgwick County treasurer, suggests payments should be mailed by Dec. 20 so his office will have time to process them this year. It is too late for the office to mail a tax statement, he said.

Those who choose to pay directly must also notify their lending institution so adjustments can be made to the escrow accounts.

In Kansas, most lenders will be analyzing customers' escrow accounts in January for revisions to cover new tax payments and changes in any insurance coverage. Notices should go out in February about refunds or changes in escrow payments to cover shortages.

For some homeowners, getting their lender to continue to pay taxes on a yearly basis has been an ordeal.

One owner said he received no notice from his lender and found out about the change through his secretary.

"The way all of this was taking place, homeowners were going to be shocked when they got their statement," said Glenn Hagen, who got his lender to pay his full year's taxes only after a week's worth of telephone calls.

# tax surprise approaching

## Half-payment will mean only half-deduction after Wednesday

By Molly McMillin

The Wichita Eagle

If you're a homeowner, you may be surprised when you start tallying up the figures for your 1995 federal and state income taxes.

You may find you can deduct only a half-year payment of property taxes, rather than a full-year payment.

That is, unless you act quickly.

Most homeowners, when they make their monthly mortgage payments, also pay into an escrow account that covers home insurance and property taxes. And most mortgage lenders pay your property taxes once a year — on Dec. 20 — out of that escrow account.

Until this year, when lenders will pay only half of the tax bill. The other half won't be paid until June 20. That means you'll only be able to deduct the half-payment from your federal and state income tax return.

Unless you take some action quickly.

Wednesday is the last day to tell your bank to go ahead and make a full year's tax payment this month.

If the bank can't do that (and most say it's too late), and you still want the tax deduction, you can pay the other half-year's taxes yourself by the end of the year. You must put your own check in the mail to the county treasurer or bring it to the treasurer's office in order to get the tax deduction. Then you must notify your lending company that you did. That way your lender can adjust your escrow account.

The new rules are the result of a change by the Department of Housing and Urban Development, which is trying to keep lenders from keeping more money in escrow accounts than needed.

With the change, lenders must pay property taxes twice a year instead of once, half on Dec. 20 and half on June 20, unless they are directed by the homeowner to keep paying them on a yearly basis.

If you do nothing, your lender will start paying taxes on the twice-a-year

### TIME TO ACT

If you want to deduct a full-year property-tax payment on your 1995 income tax return, here's what you need to do:

- Check with your mortgage lender by Wednesday. Some still may be able to make a full-year tax payment from your escrow account.

- If your lender can't make the full payment, you can make up the difference with a direct payment to the county treasurer's office by the end of the year.

### TO PAY DIRECTLY:

- In Sedgwick County, call (316) 383-7200 for information on what the payment amount should be. Or check with the statement mailed to you in November. Mail your check to Sedgwick County Treasurer, P.O. Box 3412, Wichita, Kan. 67201.

- In Butler County, call (316) 322-4210. Mail payments to Butler County Courthouse, Treasurer's Office, Room 207, 205 W. Central, El Dorado, Kan. 67042.

- In Harvey County, call (316) 284-6980. Mail payments to Harvey County Courthouse, Treasurer's Office, P.O. Box 909, Newton, Kan. 67114.

Payments must be made this month. Put your tax-key number on the check and envelope. Tell your mortgage lender you have sent a direct payment.

basis beginning Wednesday.

Or you can tell your lender to stick with the status quo, and to continue to make full-year payments in advance.

That will give you a full-year deduction for this year — but you'll

12-18-95  
Wichita Eagle

# Rule change affects district's local option

By KRISTEN L. HAYS  
The Capital-Journal

**A** change in federal regulations on how lending institutions pay property taxes means Auburn-Washburn will try to gain less money from the same mill levy in its bid for a local option budget.

The U.S. Department of Housing and Urban Development recently issued a regulation that says lending institutions — or mortgage companies — shouldn't pay a year's worth of property taxes in one shot. That change will affect how much money Unified School District 437, as well as every school district in Kansas, gains through property tax collections in a fiscal year.

It works like this. Homeowners in Kansas can pay annual property taxes in two payments — the first half each December and the second half in June.

Historically in Kansas, mortgage companies pay the entire bill in December and charge homeowners for those taxes bit by bit in mortgage payments throughout the year.

School districts operate on a fiscal year, and count on tax collections from those December payments for most of the local dollars they receive. That's because collections from June payments aren't distributed to taxing entities until July, when a new fiscal year has started.

When mortgage companies made full payments in December, school districts counted on getting about 65 percent of their locally raised operating funds in January.

No more. The regulation change means school districts will receive about 54 percent of those dollars, and wait until July to receive the rest. Unless they inflate mill levies.

USD 437 faced a choice, superintendent Howard Shuler told the Auburn-Washburn Board of Education on Monday.

To receive the desired \$584,138 from first-half property tax payments, USD 437 would have to seek more than 4.1 mills for its LOB.

But if USD 437 kept the proposed 4.1-mill increase as is, the district would receive about \$500,000. The rest will come after June tax payments.

Officials decided to keep the levy increase at 4.1 mills and cut \$84,138 from the LOB, Shuler said. The district has already mailed 10,000 brochures with LOB facts to USD 437 taxpayers, and 4.1 mills was repeatedly discussed during seven public meetings in the past two weeks.

The cost will be the same to taxpayers — 4.1 mills will cost \$47.15 in taxes on a \$100,000 house.

But, Shuler added, a projected 2.18-mill drop in USD 437's bond-indebtedness levy to 15.94 mills from 18.12 mills will create a net levy increase of 1.92 mills. So overall, if voters approve the LOB in next week's Aug. 1 election, taxpayers will see a tax hike of \$22.08 in taxes on a \$100,000 house.

USD 437 voters will decide Aug. 1 whether the district can levy a 5 percent local option over four years. The board had decided to levy 3 percent of that in 1995-96, but the HUD ruling will cut that level to about 2.55 percent, said Gary Swart, USD 437 business manager.

Once voters give the word, USD 437 will be ready to present a 1995-96 proposed budget. The district projects gaining 100 students this fall, and the board on Aug. 7 will approve one of two budgets — one with the LOB and one without — for publication in The Capital-Journal. Publication is a step toward final approval.

The board will hold the annual public hearing on the budget on Aug. 21 and give it final approval. Budgets for all taxing entities are due to the Shawnee County Clerk's office by Aug. 25 each year.

# State may face budget deficit

Federal rule on  
escrow payments at  
issue.

By ROGER MYERS  
The Capital-Journal

**A** new federal regulation that affects when banks and savings and loans pay local property taxes on behalf of their borrowers could result in a state budget deficit this fiscal year.

That is because the regulation could cut by half the property tax payments that local political subdivisions in Kansas receive in January, forcing the state to pay more of the cost of school finance than had been projected.

Gloria Timmer, the state budget director, said the regulation could contribute to the state being nearly \$23 million short of funding this fiscal year's budget and could leave the state more than \$75 million short of a balanced budget for the 1997 fiscal year.

The uncertain impact of the new federal regulation is one reason Timmer's office sent out budget allocations directing some agencies to submit funding requests for next year lower than this year's budgets.

Some agencies reportedly have complied with the governor's directive to reduce spending by submitting requests for the 1997 fiscal year that include proposed layoffs.

Friday is the deadline for most agencies to submit budget requests.

"I would hope that state managers can look at what they're doing and find other ways to accomplish their jobs without layoffs," Timmer said. "But state agency heads need to know the budget situation."

Timmer said one of the reasons the state's budget is so strained is because revenue collections were \$26 million below the projections for the last fiscal year. That shortfall carries over into this fiscal year and compounds the situation, she said.

But another reason is the increase in school finance funding the state may have to provide because of the new federal regulation.

That regulation strongly encourages — almost mandates — banks and savings and loans to pay the local property taxes their borrowers owe in installments, if the borrower's home state allows it. Kansas allows the first half of property taxes to be paid by Dec. 20 and the second half by June 20.

A part of the monthly mortgage payments that most homeowners make is put into an escrow account maintained by the mortgage holder to cover such things as property taxes, hazard insurance and other expenses besides principal and interest on the loan.

Ben Barrett, assistant director of the Legislative Research Department and an expert in school finance, said most banks and savings and loans have traditionally paid all the property taxes their borrowers owed in a lump sum in December. Those payments customarily arrived at the counties in January, with the money distributed among the other local taxing subdivisions.

Financial institutions may only pay half of the property taxes owed because of the new federal regulation, Barrett said.

"That means we could expect our initial estimate of the amount received from local property taxes would be less than expected," he said. "Under the school finance law, the state is required to make up the difference."

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Session of 1996

## SENATE BILL No. \_\_\_\_\_

By Committee on Assessment and Taxation

2-5

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9 AN ACT relating to property taxation; concerning times of payment  
10 thereof; amending K.S.A. 12-1678a and K.S.A. 1995 Supp. 79-2004,  
11 79-2004a, 79-2005 and 79-2101 and repealing the existing sections.  
12

13 *Be it enacted by the Legislature of the State of Kansas:*

14  
15 ...

16  
22 Section 2. K.S.A. 1995 Supp. 79-2004 is hereby amended to read as  
23 follows: 79-2004. (a) Except as provided by K.S.A. 1995 Supp. 79-4521,  
24 any person charged with real property taxes on the tax books in the hands  
25 of the county treasurer may pay, at such person's option, the full amount  
26 thereof on or before December 20 of each year, or ~~1/2~~ 1/3 thereof on or  
27 before December 20 and the remaining ~~1/2~~ balance thereof in two addi-  
28 tional equal installments, one such installment due on or before March 20  
29 next ensuing and the other such installment due on or before June 20  
30 next ensuing. Notwithstanding the foregoing, any such person who paid  
31 1/3 of such tax on or before December 20, may pay the remaining balance  
32 of such tax on or before March 20 next ensuing, and any such person may  
33 pay 2/3 of such tax on or before December 20, and the remaining balance  
34 thereof on or before June 20 next ensuing. If the full amount of the real  
35 property taxes listed upon any tax statement is \$10 or less the entire  
36 amount of such tax shall be due and payable on or before December 20.

37 In case the first ~~half~~ third of the real property taxes remains unpaid  
38 after December 20, the first ~~half~~ third of the tax shall draw interest at  
39 the rate of 12% per annum and may be paid at any time prior to June 20  
40 following by paying ~~1/2~~ 1/3 of the tax together with interest at such rate  
41 from December 20 to date of payment. In case the second third of such  
42 tax remains unpaid after March 20, such second third shall draw interest at  
43 the rate of 12% per annum, and may be paid at any time prior to June



1 20 next ensuing by paying that third of such tax together with interest at  
2 the rate of 12% per annum from March 20 to date of payment. Subject  
3 to the provisions of subsection (d), all real property taxes of the preceding  
4 year and accrued interest thereon which remain due and unpaid on June  
5 21 shall accrue interest at the rate of 12% per annum from June 20 until  
6 paid, or until the real property is sold for taxes by foreclosure as provided  
7 by law. Except as provided by subsection (c), all interest herein provided  
8 shall be credited to the county general fund, and whenever any such  
9 interest is paid the county treasurer shall enter the amount of interest so  
10 paid on the tax rolls in the proper column and account for such sum.

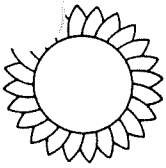
11 (b) Notwithstanding anything in this section or any other provision  
12 of law to the contrary, any person who pays the full amount of real  
13 property taxes on or before December 20 of each year shall be entitled to  
14 a reduction of such taxes equal to 10% of the total amount owing on the  
15 tax books for that year. Any person who pays the full amount of real  
16 property taxes on or before March 20 of the next ensuing year shall be  
17 entitled to a reduction of such taxes equal to 5% of the total amount owing  
18 on the tax books for the preceding year.

19 ~~(b)~~(c) Whenever any date prescribed in subsection (a) for the payment  
20 of real property taxes occurs on a Saturday or Sunday, such date for  
21 payment shall be extended until the next-following regular business day  
22 of the office of the county treasurer.

23 ~~(c)~~(d) The board of county commissioners may enter into an agreement  
24 with the governing body of any city located in the county for the distri-  
25 bution of part or all of the interest paid on special assessments levied by  
26 the city which remain unpaid.

27 ~~(d)~~(e) All real property taxes of any year past due and unpaid on the  
28 effective date of this section and interest accrued thereon pursuant to  
29 this section prior to its amendment by this act shall draw interest at the  
30 rate of 12% per annum from the effective date of this section until paid  
31 or until the real property is sold for taxes by foreclosure as provided by  
32 law.

33 ~~(e)~~(f) Notwithstanding any other provision of law to the contrary, the  
34 county treasurer shall not be required to issue a "paid" receipt for any  
35 payment of taxes made hereunder unless so requested by the taxpayer.



**Testimony of Craig Husting, Johnson County Deputy Treasurer**  
**Senate Bill No. 602**  
**Senate Committee on Assessment and Taxation**  
**Tuesday, February 13, 1996**

Members of the committee,

Thank you for the opportunity to appear before the committee in regard to Senate Bill No. 602. On behalf of the Johnson County Treasurer, we oppose this bill.

Specifically, we oppose SB 602 because it increases the tax collection periods from twice a year to three times each year. Johnson County issues over 180,000 real estate and personal property tax bills each year. As such, the administrative burden inherent in adding a third collection period would be significant. In hard dollar costs alone, for postage, supplies and banking activity, an additional collection period would cost Johnson County taxpayers over \$45,000 annually (see Attachment A). This amount does not include additional soft dollar costs attributed to labor and programming.

In addition to the third collection period, SB 602 provides for the elimination of two tax distribution periods from the County Treasurer to taxing entities. This would significantly increase interest income to Counties. For example, under this proposal, Johnson County would realize increased interest income of \$800,000 to \$1,800,000 annually (see Attachment B and C). However, the Johnson County Treasurer opposes this in principle because it would benefit Johnson County yet hurt the local taxing entities. In reality, it would be a shift of interest income from the local taxing entities to the County.

Finally, SB 602 has been introduced on the heels of the Real Estate Settlement and Procedures Act (RESPA) which was adopted in May of 1995. RESPA requires escrow agents to make partial tax payments to Counties if such payment options are available. As such, Johnson County's first half tax collections in 1995 were 10% less than the previous year. This resulted in lost interest income to both Johnson County and to the Johnson County taxing entities. SB 602 will add another payment option for escrow agents. This will further delay tax payments to both Johnson County and its entities, resulting in more lost interest income.

Thank you.

*Sen. Arsees + Jay*  
*2-13-96*

IMPACT OF SB 602  
Johnson County Treasurer

13-Feb-96

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**HARD DOLLAR ADMINISTRATIVE COST**

	<u>Quantity</u>	<u>Cost</u>
Stuffing, Sorting, Tax bills	37,000	718
Tax bill envelopes and return envelopes	37,000	1,324
Tax bills	37,000	650
Personal delinquent notices	3,000	100
Real estate delinquent notices	8,000	225
Postage	122,000	33,428
Increased Banking Charges		8,500
		-----
<b>Total Additional Hard Dollar Costs</b>		<b>\$44,945</b>

**IMPACT OF SB 602**  
**Johnson County Treasurer**

13-Feb-96

**ASSUMPTIONS: \*(MINIMAL CHANGE)**

- (A) Taxes due on Dec 20, Mar 20 and June 20  
 (B) Current March and May distributions are eliminated  
 (C) High percentage of taxpayers continue to pay full; mtg companies split payments in three parts due to RESPA

**INTEREST INCOME LOSS/GAIN**

Decreased December Collections to be distributed	12,300,000	
Lost interest income for 30 days at 5.5% (Dec 20 through Jan 20)		(56,375)
Decreased December collections due to County	3,700,000	
Lost interest income for 90 days at 5.5% (Dec 20 through Mar 20)		(50,875)
Increased March collections to be distributed	24,600,000	
Increased interest income for 120 days at 5.5% (Mar 20 through July 20)		451,000
Decreased June Collections to be distributed	12,300,000	
Lost interest income for 30 days at 5.5% (June 20 through July 20)		(56,375)
Increased March collections due to County	3,700,000	
Increased interest income for 90 days at 5.5% (March 20 through June 20)		50,875
Hold of typical March 5 distribution	16,000,000	
Increased interest income for 135 days at 5.5% (March 5 through July 20)		330,000
Hold of typical May 20 distribution	16,000,000	
Increased interest income for 60 days at 5.5% (May 20 through July 20)		146,667

**TOTAL INCREASED INTEREST INCOME** **\$814,917**

**IMPACT OF SB 602**  
**Johnson County Treasurer**

13-Feb-96

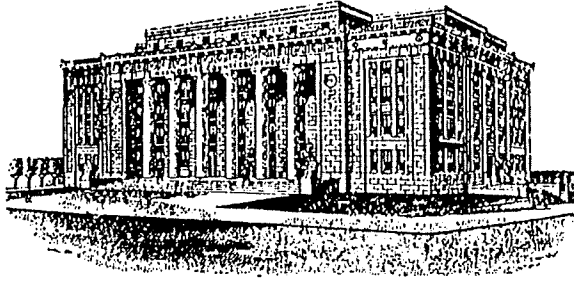
**ASSUMPTIONS: \*(EXPECTED CHANGE)**

- (A) Taxes due on Dec 20, Mar 20 and June 20  
 (B) Current March and May distributions are eliminated  
 (C) *Collect 50% of tax in Dec; 25% in March and 25% in June*

**INTEREST INCOME LOSS/GAIN**

Decreased December Collections to be distributed Lost interest income for 30 days at 5.5% (Dec 20 through Jan 20)	40,040,000	(183,517)
Decreased December collections due to County Lost interest income for 90 days at 5.5% (Dec 20 through Mar 20)	11,960,000	(164,450)
Increased March collections to be distributed Increased interest income for 120 days at 5.5% (Mar 20 through July 20)	104,000,000	1,906,667
Decreased June Collections to be distributed Lost interest income for 30 days at 5.5% (June 20 through July 20)	40,040,000	(183,517)
Increased March collections due to County Increased interest income for 90 days at 5.5% (March 20 through June 20)	11,960,000	164,450
Hold of typical March 5 distribution Increased interest income for 135 days at 5.5% (March 5 through July 20)	10,000,000	206,250
Hold of typical May 20 distribution Increased interest income for 60 days at 5.5% (May 20 through July 20)	10,000,000	91,667

**TOTAL INCREASED INTEREST INCOME** **\$1,837,550**



573-2823

OFFICE OF  
**MARY P. LADESIC**  
COUNTY TREASURER  
WYANDOTTE COUNTY COURT HOUSE  
KANSAS CITY, KANSAS 66101

32

February 13, 1996

Senate Assessment and Taxation Committee  
Senator Audrey Langworthy, Chair  
Room 143-N  
State Capitol Building  
Topeka, Kansas 66612

**RE: S.B. 602, TIME OF PAYMENT OF AD VALOREM TAXES**

Senator Langworthy and all members of the Assessment and Taxation Committee:

Please accept this correspondence as my official notice of concern for the proposed **Senate Bill 602**, an act allowing the increase of ad valorem tax payments from two (2) to three (3). I, along with the Wyandotte County Commissioners, believe that S.B. 602 would increase county costs while producing no measurable increase in revenue and thus should not be allowed to be passed.

I believe S.B. 602 is not a beneficial bill for numerous reasons. Some of my specific concerns are as follows:

1. ***Increase the costs of mailing tax bills and processing tax payments.***  
By adding an additional payment date, the associated expenses required for notifying and processing payments (i.e. tax statements, envelopes, postage, receipt statements, handling charges, and other office supplies) will also increase substantially.
2. ***Homestead recipients may not receive all their approved benefits.***  
Current legislation concerning Homestead would need to be altered to accommodate S.B. 602's tri-payment program. Homestead taxpayers, the majority of whom are elderly and live alone, rely on using their Homestead credit to pay the first half of the real estate taxes. If S.B. 602 were to take effect, Homestead recipients would receive credit for their first third of their taxes, but who would be responsible for the remaining two-thirds?

*Sen. Assess + Tax  
2-13-96  
attach 8-1*

3. ***Other taxing entities would be adversely affected by S.B. 602.***

The decrease of distribution dates from six (6) to four (4) is unfair to other taxing entities in Wyandotte County. Under the proposed system, the March 20 and June 20 payments, which comprise two-thirds of the total ad valorem collected, could not be distributed until July 20. (See ATTACHMENT)

4. ***Elimination of paid tax receipts would cause problems for taxpayers.***

At the present time, we have taxpayers preparing their income tax returns. My office receives hundreds of telephone calls a day requesting copies of their paid tax receipts. The demand for these receipts is great; the elimination of printed tax receipts would only cause a greater burden on local county Treasurer offices to provide the exact same information by some other, time-consuming manner.

5. ***Number of personal property tax bills to be sent will be dramatically increased.***


Currently, when the first half personal property tax is not paid by December 20, the total amount becomes due immediately and a *Treasurer's Notice* is sent in February. If it remains still unpaid, a *Sheriff's Notice* is sent in March. If the personal property tax is not paid in full by June 20, then the same *Notice* process is repeated for a potential total of six (6) notices.

Under S.B. 602, the number of notices for personal property taxes (tax statement, Treasurer's Notice, and Sheriff's Notice) would increase to nine (9), thus also increasing the costs associated with sending these notices.

These are but a few examples of the tremendous negative impact S.B. 602 would have on Wyandotte County as well as other taxing entities in our communities. I hope that you will give diligent attention to this proposed legislation and upon review, will reach the conclusion that S.B. 602 does not benefit Kansas and should be defeated.

Thank you for your time. If you have any questions, I would be happy to answer them.

Sincerely,



Mary P. Ladesic  
Wyandotte County Treasurer

ATTACHMENT

## AD VALOREM TAX PAYMENT AND DISTRIBUTION DATES

The following table clearly shows the impact that S.B. 602 will have on local government budgets.

The *INCREASE OF COSTS* due to the additional payment date, coupled with the *LOSS OF REVENUE* from investment interest makes S.B. 602 unnecessary and unwanted for local governments.

CURRENT		PROPOSED	
Payment Date	Distribution Date	Payment Date	Distribution Date
December 20	January 20	December 20	January 20
	March 20	March 20	July 20
	May 20	June 20	September 20
June 20	July 20		October 31
	September 5		
	October 31		