

Approved: 3-5-97
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Vice Chairperson Tony Powell at 9:00 a.m. on February 20, 1997 in Room 519-S of the Capitol.

Committee staff present: Chris Courtwright, Legislative Research Department
Tom Severn, Legislative Research Department
Ann McMorris, Committee Secretary

Conferees appearing before the committee:

Rep. Susan Wagle
Jerry Rayl, Financial Advisor, City of Andover
Teresa Sexson, Administrative Asst., City of Andover
Chris McKenzie, League of Kansas Municipalities
Rep. Carl Holmes

Others attending: See attached list

Vice Chair Powell called the meeting to order.

Opened hearing on:

HB 2296 - Statutory Debt limitation, City of Andover

Proponents:

Rep. Susan Wagle (Attachment 1)
Jerry Rayl, Financial Advisor, City of Andover (Attachment 2)
Teresa Sexson, Administrative Asst., City of Andover (Attachment 2)
Chris McKenzie, League of Kansas Municipalities (Attachment 3)
Rep. Carl Holmes (Attachment 4)

Several amendments were suggested by the proponents.

Chair closed hearing on HB 2296.

The next meeting is scheduled for February 24, 1997.

Adjournment.

Attachment - 4

TAXATION COMMITTEE GUEST LIST

DATE: FEBRUARY 20, 1997

NAME	REPRESENTING
Judy Mohr	JAC
Raul Peterjohn	KS Taxpayers Network
Judy Rayl	City of Andover, Ks.
Teresa Sisson	City of Andover, Ks.
Chris McKenzie	League of Ks. Municipalities

The City Of
ANDOVER

in Butler County

909 N. Andover Rd., P.O. Box 295
Andover, Kansas 67002

Phone (316) 733-1303
Fax (316) 733-4634

July 8, 1996

Representative Susan Wagle
14 Sandlewood
Wichita, Kansas 67230

Dear Susan:

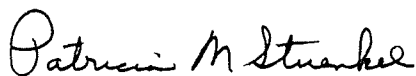
As you are well aware, the City of Andover is in a very fast growth mode. The city is very much affected by the computation of legal debt margin limitation by K.S.A. 79-5037. This statute require the use of 1988 and 1989 assessed valuation to be the basis for determining the amount of legal debt margin. Please note the difference is \$8,487,404 (K.S.A. 10-308) versus \$6,353,369 (K.S.A. 79-5113).

The city's development policy established in 1990 requires developers to obtain letter of credit of 60% of TOTAL project cost to guarantee the payment of special assessments. In 1995 the percentage was reduced to 50%. The city has not had to exercise any letter of credit payment. There was one developer that was sent a letter requesting timely payment of special assessment. The tax bill, which included not only special assessment but general taxes, was immediately paid to the treasurer office. This development policy certainly protects all the residents of Andover from developers not paying their taxes and special assessments in a timely manner.

It would be appreciated if you would review K.S.A. 79-5037 in light of the limitation this statute places on fast growth areas of Western Butler County. Copies of the difference in the computation figures are provided, as well as the development policies.

Our financial advisor, Jerry Rayl of J. O. Davidson, and myself would appreciate an opportunity to discuss this matter with you. My telephone number is (316) 733-1303. Hope you are feeling better. I have thought of you often. My prayers are with you.

Sincerely,



Patricia M. Stuenkel
City Administrator

enc.

House Taxation
2-20-97
Attachment 1-1

governed by the following provisions: (a) The authorized and outstanding bonded indebtedness of any county to which the provisions of subsection (b) does not apply shall not exceed 3% of the assessed value of all tangible taxable property within such county, as certified to the county clerk on the preceding August 25.

(b) The authorized and outstanding bonded indebtedness of Wyandotte county shall not exceed 30% of the assessed value of all tangible taxable property within such county, as certified to the county clerk on the preceding August 25.

History: L. 1978, ch. 51, § 1; L. 1980, ch. 53, § 1; L. 1982, ch. 56, § 1; L. 1984, ch. 54, § 1; L. 1985, ch. 61, § 1; L. 1985, ch. 62, § 2; May 9.

Source or prior law:
10-301.

Attorney General's Opinions:

Bond issuance for additions or enlargements to existing county medical clinic. 81-243.

Limitations on home rule powers. 82-186.

General provisions; home rule powers; limitations, restrictions and prohibitions. 84-5.

Arterial highways; financing. 85-90.

10-307. Counties; certain bonds excluded in computing bonded indebtedness. (a) Bonds issued for the purpose of refunding outstanding debt, including outstanding bonds and matured coupons thereof, or judgments thereon; (b) bonds issued pursuant to the provisions of article 46 of chapter 19 of the Kansas Statutes Annotated, and acts amendatory thereof or supplemental thereto; (c) bonds issued for the purpose of financing the construction or remodeling of a courthouse, jail or law enforcement center facility, which bonds are payable from the proceeds of a countywide retailers' sales tax; and (d) bonds issued by Riley county for the purpose of financing the construction or remodeling of a law enforcement facility shall not be included in computing the total bonded indebtedness of any county for the purpose of determining the limitations on bonded indebtedness provided in K.S.A. 10-306, and amendments thereto.

History: L. 1978, ch. 51, § 2; L. 1985, ch. 63, § 1; L. 1987, ch. 63, § 5; L. 1990, ch. 67, § 5; July 1.

Source or prior law:
10-301.

Attorney General's Opinions:

Bond issuance for additions or enlargements to existing county medical clinic. 81-243.

10-308. Cities; limitations. (a) Except as provided in this section and K.S.A. 10-309, and amendments thereto, and in any other statute which specifically exempts bonds from the statutory limitations on bonded indebtedness, the limitation on bonded indebtedness of cities shall be governed by this section. The authorized and outstanding bonded indebtedness of any city shall not exceed 30% of the assessed valuation of the city.

(b) The authorized and outstanding bonded indebtedness of Olathe shall not exceed 35% of the assessed valuation of the city. The provisions of this subsection shall expire on June 30, 1990.

(c) For the purpose of this section, assessed valuation means the value of all taxable tangible property as certified to the county clerk on the preceding August 25 which includes the assessed valuation of motor vehicles as provided by K.S.A. 10-310, and amendments thereto.

History: L. 1978, ch. 52, § 1; L. 1982, ch. 57, § 1; L. 1985, ch. 64, § 1; L. 1986, ch. 61, § 1; July 1.

Source or prior law:
10-302, 10-302a, 10-303, 10-305.

Attorney General's Opinions:

Cities issuance of special obligation bonds is valid exercise of home rule powers. 87-56.

10-309. Limitation on bonded indebtedness of cities; exceptions. Notwithstanding the provisions of K.S.A. 10-308 and amendments thereto: (a) Bonds issued by any city for the purpose of acquiring, enlarging, extending or improving any storm or sanitary sewer system; or (b) bonds issued by any city for the purpose of acquiring, enlarging, extending or improving any municipal utility; or (c) bonds issued by any city to pay the cost of improvements to intersections of streets and alleys or that portion of any street immediately in front of city or school district property, shall not be included in computing the total bonded indebtedness of the city for the purposes of determining the limitations on bonded indebtedness provided in K.S.A. 10-308 and amendments thereto.

History: L. 1978, ch. 52, § 2; L. 1982, ch. 57, § 2; L. 1989, ch. 53, § 1; July 1.

Source or prior law:
10-302, 10-302a, 10-303, 10-305.

10-310. Computation of valuation for bonded indebtedness limitation purposes. The county clerk shall add (1) the taxable value of

erning body of any city, in the year next following the year in which the valuations established under the program of statewide reappraisal are used as a basis for the levy of taxes or in any year thereafter, may elect, in the manner prescribed by and subject to the limitations of section 5 of article 12 of the Kansas Constitution, to exempt such city from the provisions of K.S.A. 1985 Supp. 79-5021 to 79-5033, inclusive.

(b) The governing body of any county, in the year next following the year in which the valuations established under the program of statewide reappraisal are used as a basis for the levy of taxes or in any year thereafter, may elect, in the manner prescribed by and subject to the limitations of K.S.A. 19-101b, and amendments thereto, to exempt such county from the provisions of K.S.A. 1985 Supp. 79-5021 to 79-5033, inclusive.

(c) The governing body of any other taxing subdivision subject to the provisions of K.S.A. 1985 Supp. 79-5021 to 79-5033, inclusive, in the year next following the year in which the valuations established under the program of statewide reappraisal are used as a basis for the levy of taxes or in any year thereafter, may elect, in the manner prescribed by and subject to the limitations of K.S.A. 19-101b, and amendments thereto, insofar as such section may be made applicable, to exempt such subdivision from the provisions of K.S.A. 1985 Supp. 79-5021 to 79-5033, inclusive.

History: L. 1985, ch. 314, § 26; July 1.

Attorney General's Opinions:

Aggregate tax levy limitations; mandatory tax lid. 87-158.

Taxation; reappraisal; aggregate tax levy limitations; alteration of limitations. 87-163.

79-5037. Same; suspension of statutory debt limitations; computation of debt limitation. Upon implementation for purposes of levying taxes of valuations for real property derived under the program of statewide reappraisal, all existing statutory debt limitations computed on the basis of a percentage of assessed valuation are hereby suspended. In such year of implementation and in all years thereafter any indebtedness of a taxing district governed by such statutory limitations shall be limited to a percentage of assessed valuation, which percentage is determined by dividing the amount of indebtedness authorized for such taxing district in the year before implementation of such valuations by the assessed valuation in the year of implementation.

History: L. 1985, ch. 314, § 27; July 1.

Attorney General's Opinions:

Local boards of health; clinics; county health funds; increase in levy. 88-19.

Article 51.—MOTOR VEHICLES

79-5101. Definitions. As used in this act the term "motor vehicle" means and includes all motor vehicles required to be registered under the provisions of article 1 of chapter 8 of the Kansas Statutes Annotated and amendments thereto, except: (a) Motor vehicles assessed and taxed by the director of property valuation under the provisions of chapter 79, article 6a, of the Kansas Statutes Annotated, and amendments thereto; (b) motor vehicles of public service companies whose property is assessed by the director of property valuation under the provisions of article 5a of chapter 79 of the Kansas Statutes Annotated, and amendments thereto; (c) motor vehicles owned by a manufacturer of motor vehicles which are returned for taxation purposes by the manufacturer on an average inventory basis under the provisions of article 10 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto; (d) motor vehicles owned or possessed by motor vehicle dealers which are taxed under the provisions of K.S.A. 79-1016 *et seq.* and amendments thereto; (e) mobile homes; (f) motor vehicles having a gross vehicle weight of more than 12,000 pounds; and (g) motor vehicles which are exempted from property taxation under the provisions of the Kansas Statutes Annotated or the Kansas constitution.

History: L. 1979, ch. 309, § 1; L. 1980, ch. 325, § 1; L. 1982, ch. 396, § 3; L. 1983, ch. 335, § 1; April 7.

Attorney General's Opinions:

Registration and taxation of motor vehicles; home rule powers; duties of county officers. 80-88.

Vehicle registration; payment of personal property taxes for preceding year. 82-198.

Personal property tax on motor vehicles, 86-147.

CASE ANNOTATIONS

1. Requiring payment of all personal property taxes as condition precedent to registering motor vehicle under 8-173 is constitutional. *State v. Raulston*, 9 K.A.2d 714, 721, 687 P.2d 37 (1984).

79-5102. Application of act; motor vehicles exempt from other property or ad valorem taxes; taxes due and payable, when; statutes not applicable to taxes hereunder; duties of county appraisers. (a) All motor vehicles, as defined by K.S.A. 79-5101, shall be valued and taxed under the provisions of this act and

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**PROPONENT POSITION STATEMENT
IN SUPPORT OF
HOUSE BILL 2296
by Representative Wagle**

**Presented by Teresa Sexson, Administrative Assistant, City of Andover, Kansas
and
Jerry D. Rayl, V.P., J. O. Davidson & Associates, Inc. as
Financial Advisor to the City of Andover, Kansas**

Andover, Kansas, is a city of the second class, located in Butler County, approximately 5 miles east of the eastern City Limits of the City of Wichita. The City shares the Butler/Sedgwick County line (159th Street East) with numerous residential developments located in Sedgwick County. The City of Andover was incorporated in 1957 with a population of 166. Today, the City has an estimated population of 4,991, with an expectation that by the year 2017, the City will have grown to an estimated population of 10,000. Within the last two years, the City of Andover has annexed over 500 acres to the City limits.

This rapid growth has put a strain on the ability of the City to provide infra-structure improvements, particularly the escalating need for additional streets and improvements to existing residential streets and arterial roadways within the City. The City was recently successful in obtaining voter approval to a ½ cent sales tax to be used for arterial street improvement. In addition, the City has imposed an impact fee on new residential construction to be used to partially fund arterial street improvements. The City's only other vehicle of financing these improvements is through the issuance of bonds of the City.

Section 10-308 of the Kansas Statutes Annotated limits the amount of bonds a city may issue to 30% of their Assessed Tangible Valuation as described in K.S.A. 10-308(c), and subject to the exceptions listed in K.S.A. 10-309. Using the formula described in this statute, the City of Andover's debt limitation would be \$9,588,495, to fund improvements to not subject to the K.S.A. 10-309 exceptions.

In 1985, the legislature passed a bill which became K.S.A. 79-5037, which imposed additional limitations on the amount of debt a city could have, based on a formula described therein. Using this formula, the City of Andover's debt limitation would be \$6,030,591, or over 35% less than provided under K.S.A. 10-308.

Currently, the City of Andover has a total bonded indebtedness of \$9,079,851 of which \$2,511,596 is subject to the limitations imposed by K.S.A. 10-308 et seq. and K.S.A. 79-5037. Projects currently in process or planned within the next 3 years, which also would be subject to these statutory limitations, exceed \$10,000,000. It is anticipated that the current limitation will be reached during 1997-1998.

The additional limitations imposed by K.S.A. 79-5037 causes an unfair hardship on the City of

Andover. Andover is a progressive community attempting to attract commercial and residential development as well as new industry to provide jobs and economic development within the community. The City feels it should not be penalized because it is developing at such a fast pace, but instead should be encouraged to continue its activities.


The City of Andover, through its representatives present today, request that the members of the Tax Committee of the House of Representatives give careful consideration to House Bill 2296 as submitted by Representative Wagle and to recommend it be sent on for legislative action. By amending K.S.A. 79-5037, it would allow the City of Andover to be exempted from the provisions of this statute and return to only the limitations imposed under K.S.A. 10-308 et seq.

Thank you for allowing us to be present at this hearing and for your consideration of the City's request. Should you have questions, please feel free to call Teresa Sexson, Administrative Assistant to the City of Andover, Kansas at 316-733-1303 or Jerry Rayl, the City's Financial Advisor, at 1-316-265-9411.



**League
of Kansas
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3896 (913) 354-9565 FAX (913) 354-4186

TO: House Committee on Taxation
FROM:  Chris McKenzie, Executive Director
DATE: February 20, 1997
SUBJECT: HB 2296--Concerning Debt Limitations

Thank you for the opportunity to appear today in support of HB 2296, removing the post-reappraisal debt limitation on the City of Andover. For reasons explained below, we further support an amendment that would apply to all cities.

Prior to the enactment of K.S.A. 79-5037, cities had a statutory debt limitation of 30% of their assessed valuation (including personal and real property) under K.S.A. 10-308. This means that if a city had an assessed valuation of \$10 million it could incur up to \$3 million in general obligation debt.

Prior to the implementation of the new reappraised values in 1989 the legislature enacted K.S.A. 79-5037 to prevent local units' debt limits from increasing simply as a result of reappraisal. The effect of the limitation is as follows: If the effect of reappraisal was to increase the valuation to \$15 million, the adjusted debt limitation under K.S.A. 10-308 would be \$5 million. K.S.A. 79-5037 calls for a ratio to be applied to a local unit's assessed valuation to adjust it back to its prereappraisal position. In other words, a 2/3 ratio adjustment is applied in my example.

The problem with this approach we have discovered since the adoption of K.S.A. 79-5037 is that this adjustment ratio (or factor) also is applied to new improvements and territory. This means that in the above example a city would only get credit for 2/3 of the growth in its assessed valuation in terms of the adjustment of its debt limit. For cities that are growing and must issue bonds to finance new streets and other improvements, this has become a serious problem.

The league proposes the attached amendment to address this problem for all cities. We would appreciate its serious consideration.

RECOMMENDATION: For the above reasons, we urge your support for this measure with the recommended amendment..

House Taxation
2-20-97
Attachment 3-1

HOUSE BILL No. 2296

By Representative Wagle

2-11

9 AN ACT concerning municipalities; relating to statutory debt limitations;
10 amending K.S.A. 79-5037 and repealing the existing section.
11

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

13 Section 1. K.S.A. 79-5037 is hereby amended to read as follows: 79-
14 5037. (a) *Except as provided by subsection (b)*, upon implementation for
15 purposes of levying taxes of valuations for real property derived under
16 the program of statewide reappraisal, all existing statutory debt limitations
17 computed on the basis of a percentage of assessed valuation are hereby
18 suspended. In such year of implementation and in all years thereafter any
19 indebtedness of a taxing district governed by such statutory limitations
20 shall be limited to a percentage of assessed valuation, which percentage
21 is determined by dividing the amount of indebtedness authorized for such
22 taxing district in the year before implementation of such valuations by the
23 assessed valuation in the year of implementation.

24 (b) *The provisions of subsection (a) shall not apply to _____ any*
25 ~~the city of An-~~
~~dover, Kansas.~~

26 Sec. 2. K.S.A. 79-5037 is hereby repealed.

27 Sec. 3. This act shall take effect and be in force from and after its
28 publication in the Kansas register.

3-2

governed by the following provisions: (a) The authorized and outstanding bonded indebtedness of any county to which the provisions of subsection (b) does not apply shall not exceed 3% of the assessed value of all tangible taxable property within such county, as certified to the county clerk on the preceding August 25.

(b) The authorized and outstanding bonded indebtedness of Wyandotte county shall not exceed 30% of the assessed value of all tangible taxable property within such county, as certified to the county clerk on the preceding August 25.

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Limitations on home rule powers. 82-186.

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Arterial highways; financing. 85-90.

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(b) The authorized and outstanding bonded indebtedness of Olathe shall not exceed 35% of the assessed valuation of the city. The provisions of this subsection shall expire on June 30, 1990.

(c) For the purpose of this section, assessed valuation means the value of all taxable tangible property as certified to the county clerk on the preceding August 25 which includes the assessed valuation of motor vehicles as provided by K.S.A. 10-310, and amendments thereto.

History: L. 1978, ch. 52, § 1; L. 1982, ch. 57, § 1; L. 1985, ch. 64, § 1; L. 1986, ch. 61, § 1; July 1.

Source or prior law:

10-302, 10-302a, 10-303, 10-305.

Attorney General's Opinions:

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CITY OF ANDOVER
COMPUTATION OF LEGAL DEBT MARGIN

December 31, 1995

Assessed Value	\$23,813,227	
Motor Vehicle - KSA 79-5113	4,478,119	

Total Assessed Value	\$28,291,346	
	=====	
Debt Limit - 30% of Assessed Value (KSA 10-308)		\$8,487,404
 Bonded Indebtedness	 \$5,587,054	

CITY OF ANDOVER
COMPUTATION OF LEGAL DEBT MARGIN

July 1, 1996

Assessed Value-Estimated	\$26,888,928	
Motor Vehicle - KSA 79-5113	5,050,499	
Motor Vehicle - KSA 79-5123	67,471	

Total Assessed Value	\$32,006,898	
	=====	
Debt Limit - of Assessed Value (KSA 79-5037)		\$6,353,369
1988 Assessed Valuation x 30%	\$13,489,847	
1989 Assessed Valuation ÷	20,385,590	
Debt Limit Ratio		19.85%
 Bonded Indebtedness	 \$5,590,905	

STATE OF KANSAS
HOUSE OF REPRESENTATIVES

CARL D. HOLMES
REPRESENTATIVE, 125TH DISTRICT
P.O. BOX 2288
LIBERAL, KANSAS 67905
(316) 624-7361



TOPEKA

HB 2296

- Approximately two years ago, Seward County Community College presented a bond issue to the voters of Seward County for building an expansion on their campus.
- The bond issue passed in the January election.
- Then the appraised value of property in Seward County dropped and one million dollars of the bond issue could not be sold as a result of the valuation drop causing a loss of its bonding authority. The drop of valuation was primarily a result of variations of value of oil and gas properties.
- By adding an amendment to this bill including Seward County Community College, the will of the voters in Seward County will be carried out.
- I would appreciate your consideration of this amendment to HB 2296.