

Approved: 2-20-98
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:08 a.m. on February 18, 1998, in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Lee, Senator Bond,
Senator Donovan, Senator Goodwin, Senator Hardenburger,
Senator Karr, Senator Praeger, Senator Steffes and Senator Steineger.

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

Conferees appearing before the committee: Chris McKenzie, League of Kansas Municipalities
Randy Allen, Kansas Association of Counties

Others attending: See attached list

SB 433--Budget approval required when based on increased property tax.

Senator Bond distributed copies of a proposed **Substitute for SB 433**. (Attachment 1) Senator Bond referred to the bill as a "truth in taxation" approach.

Senator Bond explained, as originally introduced, the bill required a mill levy roll back as the value of existing property realized an increase as the result of reappraisal so that local and state application of mill levies had to be rolled back in order that the units of government would realize no more revenue from real property than was realized in the previous year unless, by a majority vote or the respective governing body, a new mill levy was passed that would, in effect, raise more revenue. When Senator Bond met with staff technicians to discuss the workability of the bill, particularly as it related to local units of government, it became clear that it would be difficult to apply this theory to local units of government. Therefore, a substitute bill was drafted. Senator Bond called attention to New Section 1 and subsection 3 (b). The substitute bill now does, in fact, roll back for the state, as originally intended, in terms of the state school finance levy. The mill levy would decline annually as new appraisal values come in on existing property. It would not impact the one and a half mill levy for the constitutional levy, but it does apply to the statewide levy applicable to school finance. It is anticipated that there would be a annual drop of between one and two mills unless the Legislature by a majority vote took it back up. With regard to local governments, the substitute bill requires that the budget be published, disclosing what the mill levy would have been if taxes were not raised.

Senator Steffes commented that he understood the bill as an attempt to address the problem of unlegislated tax increases caused by inflation. Senator Bond agreed with this observation and added that, essentially, the bill would prohibit the Legislature from raising taxes by reason of the "creep" in valuations of existing properties, unless by a majority vote.

Staff summarized the effect of **Substitute for SB 433** as follows:

1. New Section 1 is a publishing requirement prior to the adoption of local district budgets reflecting what the mill levy would have been, taking into account the growth of the appraisal of existing real property.
2. The second part of the bill protects the statewide school levy. It sets an outside parameter based on the same criteria.

Chris McKenzie, League of Kansas Municipalities, stated that he believes **Substitute for SB 433** is vastly superior to **SB 433**. In effect, the publication of the new rate will provide taxpayers and local officials with a benchmark against which their final property tax decisions can be measured. (Attachment 2)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on February 18, 1998.

Randy Allen, Kansas Association of Counties, testified in support of the "truth in taxation" concept and suggested that **Substitute for SB 433** be amended to make it administratively more simple with regard to publication of proposed budgets pursuant to the bill. Mr. Allen had attached a copy of a representative "Notice of Hearing" form to his written testimony for the committee's reference. (Attachment 3)

There being no others wishing to testify, the hearing was closed.

The meeting was adjourned at 12:00 p.m.

The next meeting is scheduled for February 19, 1998.

Substitute for SENATE BILL NO. 433

By Committee on Assessment and Taxation

AN ACT relating to property taxation; concerning the publication and determination of rates thereof; amending K.S.A. 1997 Supp. 72-6431 and repealing the existing section.

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

New Section 1. On or after the date prescribed by K.S.A. 79-1604, and amendments thereto, for the preparation by the county clerk and submission to the director of property valuation of the abstract of the assessment rolls of the county, the county clerk, if such rolls evidence an increase in total assessed valuation over the total assessed valuation of the next preceding year which is not attributable to new or new improvements to property, property located within an annexed territory or property previously exempt, shall compute a tax levy rate for every taxing subdivision based upon the amount of ad valorem tax certified on or before August 25 of the next preceding year by such subdivision to the county clerk for levy pursuant to K.S.A. 79-1801, and amendments thereto. Such rates shall be published in a newspaper of general circulation in the county once each week for two consecutive weeks prior to August 1 of each year.

Sec. 2. K.S.A. 1997 Supp. 72-6431 is hereby amended to read as follows: 72-6431. (a) The board of each district shall levy an ad valorem tax upon the taxable tangible property of the district in the school years specified in subsection (b) for the purpose of:

(1) Financing that portion of the district's general fund budget which is not financed from any other source provided by law;

(2) paying a portion of the costs of operating and maintaining public schools in partial fulfillment of the constitutional obligation of the legislature to finance the

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educational interests of the state; and

(3) with respect to any redevelopment district established prior to July 1, 1997, pursuant to K.S.A. 12-1771, and amendments thereto, paying a portion of the principal and interest on bonds issued by cities under authority of K.S.A. 12-1774, and amendments thereto, for the financing of redevelopment projects upon property located within the district.

(b) The tax required under subsection (a) shall be levied at a rate of 27 23 mills in the ~~1997-98 school year and in the~~ 1998-99 school year and for all school years thereafter, not greater than the rate determined by multiplying the rate applied in the next preceding school year by a fraction the numerator of which is the aggregate statewide assessed valuation of all property taxable under this section as certified and reported to the legislature by the director of property valuation for the second calendar year preceding the year of commencement of the school year for which the rate is to be determined and the denominator of which is the aggregate statewide assessed valuation of all property taxable under this section, except valuation attributable to new or new improvements to property as certified and reported to the legislature by the director of property valuation for the calendar year next preceding the year of commencement of the school year for which the rate is to be determined.

(c) The proceeds from the tax levied by a district under authority of this section, except the proceeds of such tax levied for the purpose of paying a portion of the principal and interest on bonds issued by cities under authority of K.S.A. 12-1774, and amendments thereto, for the financing of redevelopment projects upon property located within the district, shall be deposited in the general fund of the district.

(d) On June 1 of each year, the amount, if any, by which a district's local effort exceeds the amount of the district's state financial aid, as determined by the state board, shall be remitted to the state treasurer. Upon receipt of any such

remittance, the state treasurer shall deposit the same in the state treasury to the credit of the state school district finance fund.

(e) No district shall proceed under K.S.A. 79-1964, 79-1964a or 79-1964b, and amendments to such sections.

Sec. 3. K.S.A. 1997 Supp. 72-6431 is hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.



**League
of Kansas
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3896 (785) 354-9565 FAX (785) 354-4186

TO: Senate Assessment and Taxation Committee
FROM: *Chris* Chris McKenzie, Executive Director
DATE: February 18, 1998
SUBJECT: SB 433; and Sub. For SB 433

Thank you for the opportunity to offer comments on SB 433 and proposed Sub. for SB 433. The League had numerous concerns about SB 433, most of which centered on the practical difficulties of implementing it with regard to certain types of assessed valuation and potential conflicts with the aggregate tax lid law. Those concerns are completely addressed in Sub. for SB 433 which has been discussed with the Committee today.

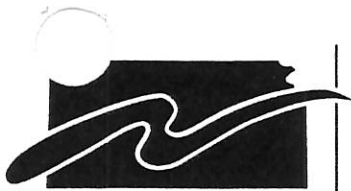
City officials routinely share with me their efforts, many times futile, to encourage taxpayers to attend city budget work sessions and offer budget suggestions. Some cities are now publishing "budgets in brief" to better explain the city budget. The fact of the matter is that the only folks who can be relied on to attend budget sessions are those who want to encourage increased spending. For the most part, city officials operate in a fish bowl, seeing their constituents on a daily basis, and they have other opportunities to discuss upcoming street projects, bridge repairs, etc. directly or through the media. In this respect they are more immediately accountable for their decisions.

Sub. for SB 433 would provide for the publication of a notice by the county clerk in July of each year that informs the taxpayers of each taxing subdivision of the effect of upcoming budget decisions on property which is subject to ongoing reappraisal (or revaluation) each year. In effect, the publication of this new rate (which accounts for the effects of reappraisal/revaluation) will provide taxpayers and local officials with a benchmark against which their final property tax decisions can be measured. As it should, Sub. for SB 433 would exclude from this computation assessed valuation which has been added due to annexation, expiring exemptions, and new investment.

I also would draw your attention to the law passed last session as part of the Kansas Tax Equity and Fairness Act which requires that detailed tax levy information be provided to individual taxpayers with their tax bills. See K.S.A. 79-2001. Taken together this requirement and the notice contained in Sub. for SB 433 will provide taxpayers with useful information at both ends of the budget cycle.

RECOMMENDATION: We believe Sub. For SB 433 is vastly superior to SB 433. Time will tell whether it results in greater taxpayer involvement in the local budget process. We urge the Committee to give it careful and favorable consideration.

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KANSAS
ASSOCIATION OF
COUNTIES

TESTIMONY

before the

Senate Assessment and Taxation Committee

February 18, 1998

Senator Langworthy and members of the Assessment and Taxation Committee. My name is Randy Allen, representing the Kansas Association of Counties. I appreciate the opportunity to offer comments on the Substitute version of SB No. 433.

The Substitute for SB 433 would require the county clerk to publish an equivalent "roll-back" mill levy rate for each taxing subdivision in the county prior to August 1 of each year, if the current year assessment roll in that taxing subdivision evidences an increase in assessed valuation over the prior year which is not attributable to 1) new property improvements; 2) increases in personal property; 3) property located within an annexed area; or 4) property previously exempt from taxation. The equivalent "roll-back" mill rate would be determined by dividing the property taxes levied in the preceding year by the new, current year assessed valuation within the taxing subdivision, less the valuation attributable to the exceptions just stated. For example, in Sunflower County, Kansas:

IF: 1997 Taxes Levied for 1998 County Budget = \$ 1,992,000
1997 County Assessed Valuation = \$60,000,000
1997 Mill Levy Rate = 33.2 mills

AND: 1998 County Assessed Valuation = \$63,000,000,
of which \$700,000 of the increase is
attributable to property values previously
abated; \$1,200,000 is based on new improve-
ments; and \$1,100,000 is based on property
revaluation

THEN:

The County Clerk would publish, prior to August 1, 1998, an equivalent "roll-back" mill levy rate for Sunflower County of 32.602 mills (i.e. \$1,992,000 / \$61,100,000). This rate indicates what would be required to raise the same dollars levied in the current year as were levied in the prior year, but with the assessed valuation adjusted to include ongoing revaluation.

SUGGESTION FOR IMPROVEMENT:

With each taxing subdivision responsible and accountable for its own budgetary and taxing decisions, we recommend that such equivalent "roll-back" mill levy rate be included in each respective taxing subdivision's "Notice of Hearing" for their proposed budget, which must be published at least ten days prior to the required annual budget hearing, rather than

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such information being published in a separate publication (perhaps even in a separate newspaper) from the "Notice of Budget Hearing." In this way, the budgetary and tax information for each taxing subdivision would be in one document and citizens would not have to find two legal publications. Additionally, there would seem to be no or negligible additional publication cost incurred, since proposed budgets of at least \$500 are already published pursuant to K.S.A. 19-2929. *As such, SB 433 could be amended to require county clerks to merely notify the clerk of each political subdivision of such "roll-back" tax levy rate on or before August 1, if required under the parameters outlined in this bill.*

A copy of a representative "Notice of Hearing" form, as used to notify Sedgwick County taxpayers of the County's 1998 budget hearing last August, is attached for your reference. This is an existing publication, and the additional information could be merely incorporated into it.

Attachment (1)

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to the KAC by calling (785) 233-2271.

Letha Stephenson

Deposes and says: That he/she is

THE DAILY R

a daily newspaper printed in the Sta in and of general circulation in Sedg a general paid circulation on a daily Kansas, and that said newspaper is r ternal publication.

Said newspaper is a daily publish and has been so published continuc said county and state for a period of to the first publication of said notice the post office of Derby, Kansas, in s matter.

That the attached notice is a true lished in the regular and entire iss 1 consecutive week cation thereof being made as afores of July 19 97, wi being made on the following dates:

- _____ 19__
- _____ 19__
- _____ 19__
- _____ 19__

Letha M. Stephenson

Subscribed and sworn to before me this 28th day of July, 19 97

Brenda Mello

BRENDA MELLO
Notary Public - State of Kansas
My Appt. Expires 6/10/2000

Notary Public

Printer's Fee \$ 41.00

Additional Copies \$ _____

SG97-096 (First Published in The Daily Reporter, July 25, 1997)
NOTICE OF HEARING
1998 BUDGETS

The governing body of Sedgwick County, Kansas, will meet on the 6th day of August, 1997, 9:00 a.m., at the Commissioners' Meeting Room, Sedgwick County Courthouse, for the purpose of hearing and answering objections of taxpayers relating to the proposed use of all funds and the amount of tax to be levied. Detailed budget information is available at the Sedgwick County Manager's Office and will be available at this hearing.

BUDGET SUMMARY
The Expenditures and Amount of 1997 Tax to be Levied (published below) establish the maximum limits of the 1998 Budget. The "Estimated Tax Rate" in the far right column is subject to change depending on final assessed valuation.

Fund	1996		1997		Proposed 1998 Budget		
	Actual Expenditures	Actual Tax Rate (1)	Budgeted Expenditures	Actual Tax Rate (1)	Expenditures	1997 Tax to be Levied	Estimated Tax Rate (1)
County General	83,874,649	12.356	100,201,013	17.577	105,148,933	42,719,973	18.574
WSU Program Development (2)	0				3,876,476	3,450,000	1.500
County Appraiser (3)	4,703,006	1.772	150,000		0	0	
Extension Council	868,391	0.339	906,632	0.350	861,300	733,543	0.319
Direct Election Expense (3)	1,178,530	0.486	233,042		0	0	
Community College Tuition	2,039,623	0.980	2,300,000	0.842	2,300,000	1,749,359	0.781
Economic Development (4)	39,737		0		0	0	
Public Services - Highways	7,802,971	1.934	8,108,326	1.086	8,182,189	2,189,841	0.952
Noxious Weeds	464,864	0.142	475,420	0.122	468,823	288,008	0.125
Developmental Disabilities (3)	3,151,709	0.722	125,443		0	0	
COMCARE	5,693,564	1.105	6,008,735	1.075	5,750,018	2,325,675	1.011
Emergency Medical Service	6,882,832	0.892	7,479,083	0.965	7,680,988	2,495,145	1.085
Special Parks and Recreation	56,759		59,000		78,010	0	
Special Liability (3)	1,023,257	0.468	216,782		0	0	
Physical Disabilities (3)	754,496	0.303	37,854		0	0	
Emergency Telephone	1,917,210		1,803,757		1,825,474	0	
Court Trustee	1,836,902		2,650,294		2,650,294	0	
Employee Benefits	6,733,035	1.922	7,975,731	1.497	8,519,137	7,452,029	3.240
Aging Services	2,025,870	0.773	2,094,853	0.805	2,079,579	1,787,860	0.777
Special Alcohol/Drug Programs	92,774		80,104		85,081	0	
Convention and Tourism	42,107		91,515		32,868	0	
Information Services (3)	5,798,385		118,725		0	0	
Bldg and Interest	14,318,697	3.968	14,446,130	3.942	12,702,675	6,490,584	2.822
Kansas Coliseum	2,426,723		2,526,133		2,741,472	0	
Central Motor Pool	8,156,292		6,519,530		6,055,264	0	
Totals	161,892,183	28.158	164,608,082	28.081	171,036,386	71,681,815	31.166
Less: Transfers	(13,586,258)		(8,538,703)		(7,257,687)		
Net Expenditures	148,305,925		156,069,379		163,778,699		
Total Tax Levied	59,549,223		61,773,855		71,681,815		
Assessed Valuation	2,114,854,347		2,201,606,299		2,300,000,000		

- (1) Tax rates are expressed in mills.
 - (2) Fund discontinued in 1995 and reestablished in 1998.
 - (3) Fund discontinued in 1997.
 - (4) Fund discontinued in 1996.
- /s/ William P. Buchanan, County Manager
(Jy25)