

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:40 A.M. on February 8, 2007, in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Jill Wolters, Senior Assistant, Revisor of Statutes
Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Michele Alishahi, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
Julian Efirid, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Melinda Gaul, Chief of Staff, Senate Ways & Means
Mary Shaw, Committee Assistant

Conferees appearing before the committee:

Don Moler, Executive Director, League of Kansas Municipalities
Randall Allen, Executive Director, Kansas Association of Counties
Mayor Bill Bunten, City of Topeka
Commissioner William Prescott, Osage County
Mayor Dee Stuart, City of Park City
Mayor Gary Fuller, City of Garden City
Commissioner Tim Norton, Sedgwick County
Councilmember Dawn Kuhn, City of Shawnee

Written testimony submitted by:

Matt Shatto, Assistant City Administrator, City of Lenexa
Mayor and City Council, City of Roeland Park
Reynaldo Mesa, City Commissioner, City of Garden City
James R. Behan, City Commissioner, City of Garden City
Laura Janas Gasbarre, Mayor, City of Leavenworth
Jay Dill, City Manager, City of Kinsley
Bernie Hayden, Director of Finance, City of Manhattan
Stanley Gilliland, Mayor, City of Wellington
Maurice Harley, Mayor, City of Girard
Sheldon Hamilton, Finance Director, City of Atchison
Dale Goter, Government Relations Manager, City of Wichita
Mike Amyx, Mayor, City of Lawrence
Erik Sartorius, on behalf of the City of Overland Park
Bill Oswalt, Kansas Legislative Policy Group
Jerry F. Mayo, Chairman, Office of Clay County Commissioners

Others attending:

See attached list.

Bill Introduction

Senator Morris moved, with a second by Senator Emler, to introduce a conceptual resolution to urge the U.S. Senate to restore funding for military projects to federal continuing resolution. Motion carried on a voice vote.

Copies of the Kansas Legislative Research Department Budget Analysis report for FY 2007 and FY 2008 were available to the committee.

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:40 A.M. on February 8, 2007, in Room 123-S of the Capitol.

Subcommittee reports on:

Commission on Veterans' Affairs (Attachment 1)

Subcommittee Chairman Mark Taddiken reported that the subcommittee on the Commission on Veterans' Affairs concurs with the Governor's recommendation in FY 2007 and concurs with the Governor's FY 2008 recommendation with adjustments.

Senator Wysong moved, with a second by Senator Betts, to amend the subcommittee budget report on the Commission on Veterans' Affairs in FY 2008 to reconsider Item No. 1 in Omnibus. Division was requested. Motion carried on a show of hands (8 votes in favor and 4 votes against). Senator Barone requested to be recorded as passing on the vote.

Senator Taddiken moved, with a second by Senator Emler, to adopt the subcommittee budget report on the Commission on Veterans' Affairs in FY 2007 and as amended in FY 2008. Motion carried on a voice vote. Senator Barone requested to be recorded as passing on the vote.

Chairman Umbarger turned the Committee's attention to discussion regarding the reinstatement of the Local Ad Valorem Tax Reduction (LAVTR) and welcomed the following conferees:

Don Moler, Executive Director, League of Kansas Municipalities, who presented information in favor of reinstatement of the Local Ad Valorem Tax Reduction (LAVTR) and referred to several points listed in his written testimony (Attachment 2). In closing, Mr. Mohler noted that reinstatement of full funding for LAVTR for FY 2008 would be about \$72 million.

Randall Allen, Executive Director, Kansas Association of Counties, provided information regarding reinstating the Local Ad Valorem Tax Reduction and the impact of losing the LAVTR and other demand transfer money in how it has been a combined deterioration of local services and an increase in local property taxes (Attachment 3). He noted that this affects both urban and rural areas, areas that have no other source of tax and encouraged reinstating the LAVTR.

Mayor Bill Bunten, City of Topeka, spoke regarding requesting re-implementation of the Local Ad Valorem property tax reduction fund appropriation for Fiscal Year 2008 (Attachment 4). Mayor Bunten explained that the value of the LAVTR program is known, and evidence of it is the decision to reinstate it for Fiscal Year 2010. Moving that forward to Fiscal Year 2008 would be very helpful to cities, such as Topeka, that face some serious financial problems in the near future.

Commissioner William Prescott, Osage County, testified to support the reinstatement of demand transfers (Attachment 5). Commissioner Prescott noted that the portion of revenue from property taxes more than doubled from 23 percent to 48 percent from 1996 to 2004, largely due to the loss of demand transfers. He mentioned that property taxes will get worse with additional loss of the M&E tax revenue.

Mayor Dee Stuart, City of Park City, provided information regarding the benefits for Park City from the reinstatement of the Local Ad Valorem Tax Reduction (Attachment 6). She explained that streets need repair, they are rebuilding two bridges this year, a million dollar-plus water tower to reinsure proper water pressure for the northern area and infrastructure costs are skyrocketing.

Mayor Gary Fuller, City of Garden City, spoke in support of reinstating the Local Ad Valorem Tax Reduction (Attachment 7). Mayor Fuller explained that the City of Garden City absorbed the financial burden placed on them in 2002 and 2003 and did so in the following ways:

- deferred capital projects primarily designed to upgrade or maintain existing infrastructure.
- froze the workforce at 10 percent below budgeted levels.
- spent down cash balances in the form of one-time transfers from non-tax funds well below auditor-recommended levels, and
- as last resort, raised the local property tax mill levy.

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:40 A.M. on February 8, 2007, in Room 123-S of the Capitol.

Commissioner Tim Norton, Sedgwick County, spoke in support of reinstating the Local Ad Valorem Tax Reduction ([Attachment 8](#)). Commissioner Norton mentioned that the end of these demand transfers in the Governor's 2003/2004 budget had a big impact on Sedgwick County reducing revenues by \$6.9 million beginning in their 2004 fiscal year. He noted that the best example of the impact on Sedgwick County would be their Adult Detention Facility and jail over-crowding.

Council Member Dawn Kuhn, City of Shawnee, testified in favor of reinstatement of the Local Ad Valorem Tax Reduction ([Attachment 9](#)). Council Member Kuhn explained that continued suspension of the program will have an adverse impact on their local budget and for other cities across the state. It was noted that Shawnee is currently the fastest growing city in Johnson County and growth does not come without its costs because related infrastructure needs, increased traffic, community revitalization and new development impose ever-higher levels of demand on already strained city resources.

Written testimony was submitted by:

Matt Shatto, Assistant City Administrator, City of Lenexa ([Attachment 10](#))

Mayor and City Council, City of Roeland Park ([Attachment 11](#))

Reynaldo Mesa, City Commissioner, City of Garden City ([Attachment 12](#))

James R. Behan, City Commissioner, City of Garden City ([Attachment 13](#))

Laura Janas Gasbarre, Mayor, City of Leavenworth ([Attachment 14](#))

Jay Dill, City Manager, City of Kinsley ([Attachment 15](#))

Bernie Hayden, Director of Finance, City of Manhattan ([Attachment 16](#))

Stanley Gilliland, Mayor, City of Wellington ([Attachment 17](#))

Maurice Harley, Mayor, City of Girard ([Attachment 18](#))

Sheldon Hamilton, Finance Director, City of Atchison ([Attachment 19](#))

Dale Goter, Government Relations Manager, City of Wichita ([Attachment 20](#))

Mike Amyx, Mayor, City of Lawrence ([Attachment 21](#))

Erik Sartorius, on behalf of the City of Overland Park ([Attachment 22](#))

Bill Oswalt, Kansas Legislative Policy Group ([Attachment 23](#))

Jerry F. Mayo, Chairman, Office of Clay County Commissioners ([Attachment 24](#))

The Chairman mentioned that there is a need to consider the impact on local units of government.

The meeting adjourned at 11:45 a.m. The next meeting is scheduled for February 9, 2007.

**SENATE WAYS AND MEANS COMMITTEE
GUEST LIST**

Date February 8, 2007

Name	Representing
Konnie Leffler	Div. of Budget
William Prescott	Osage County Commissioner
Randall Allen	Kansas Assn. of Counties
Dennis Peterson	Riley County
TAD BOVEREN	KLPK
TIM NORTON	Sedgewick Co.
KE MUM	LBR
Andy Schlopp	Sedgewick County
Whitney Darrin	City of Topeka
Shaunda Anstett	State Treasurer
Peggy Hanna	✓
GARY DAVIS	PARKE CITY
Dee Stuart	PARKE CITY
Dawn Kohn	Shawnee
Sara Singer	Shawnee
MICKEY SANDIFER	SHAWNEE
Jolene Kim	ESU-NEN
Wayne Bollig	KC VA
Katie Pele	KCLVA
Lindsey Douglas	Hein Law Firm
MIKE Taylor	Unifid Gov/Wyco-KCK
George Webb	KCA
Sheela Frank	KACCT

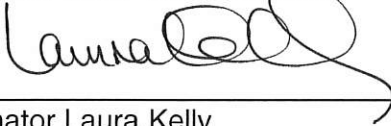
FY 2007 and FY 2008

SENATE WAYS AND MEANS SUBCOMMITTEE

**Veterans Affairs
Soldiers' Home
Veterans' Home**



Senator Mark Taddiken, Chair



Senator Laura Kelly

Senate Ways and Means
2-8-07
Attachment 1

Senate Subcommittee Report

Agency: Commission on Veterans' Affairs Bill No. SB --

Bill Sec. --

Analyst: O'Hara Analysis Pg. No. Vol.-

Budget Page No. 425

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 8,794,809	\$ 8,282,898	\$ 0
Other Funds	9,862,073	9,862,073	0
Subtotal - Operating	\$ 18,656,882	\$ 18,144,971	\$ 0
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	4,422,700	4,644,610	0
Subtotal - Capital Improvements	\$ 4,422,700	\$ 4,644,610	\$ 0
 TOTAL	 \$ 23,079,582	 \$ 22,789,581	 \$ 0
 FTE Positions	 557.8	 557.8	 0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	557.8	557.8	0.0

Agency Estimate

The **agency** estimates \$18,656,882, including \$8,794,809 from the State General Fund, for FY 2007 operating expenditures. The estimate is an all funds decrease of \$274,801, or 1.5 percent, above the approved amount. The estimate includes \$511,911 from the State General Fund in supplemental requests. The agency is currently making the transition into operating the Veterans Claim Assistance Program (VCAP), which will fund veterans services organizations (VSOs) to provide services to Kansas veterans. This transition has led to a reduction in staff numbers as well as expenditures for the Veteran Services program within the agency. The increase due to the supplemental request is partially offset by reductions in expenditures due to federal and other funds revenue decreases.

Governor's Recommendation

The **Governor** recommends \$18,144,971, including \$8,282,898 from the State General Fund for FY 2007 operating expenditures. The recommendation is \$511,911, or 2.7 percent, less than the agency's current year revised estimate and does not include the agency's supplemental requests.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation.

Senate Subcommittee Report

Agency: Commission on Veterans' Affairs **Bill No.** SB --

Bill Sec. --

Analyst: O'Hara **Analysis Pg. No.** Vol.-

Budget Page No. 425

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 8,748,432	\$ 8,842,857	\$ (471,758)
Other Funds	<u>10,340,803</u>	<u>10,383,249</u>	<u>(42,446)</u>
Subtotal - Operating	<u>\$ 19,089,235</u>	<u>\$ 19,226,106</u>	<u>\$ (514,204)</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	0
Other Funds	<u>7,667,614</u>	<u>7,667,614</u>	<u>0</u>
Subtotal - Capital Improvements	<u>\$ 7,667,614</u>	<u>\$ 7,667,614</u>	<u>\$ 0</u>
TOTAL	<u><u>\$ 26,756,849</u></u>	<u><u>\$ 26,893,720</u></u>	<u><u>\$ (514,204)</u></u>
FTE Positions	558.8	557.8	0.0
Non FTE Uncl. Perm. Pos.	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u><u>558.8</u></u>	<u><u>557.8</u></u>	<u><u>0.0</u></u>

Agency Request

The **agency** requests \$19,089,235, including \$8,749,432 from the State General Fund, for FY 2008 operating expenditures. The request is an increase of \$432,353, or 2.3 percent, above the FY 2007 revised estimate. The request includes enhancement packages totaling \$377,333 from the State General Fund. Without the enhancement packages, the request would be an increase of \$55,020, or 0.3 percent, above the FY 2007 revised estimate. This increase is attributable to increases of \$202,777 in salaries and wages, \$111,722 in contractual services, \$4,073 in commodities, and \$113,781 in capital outlay.

Governor's Recommendation

The **Governor** recommends \$19,226,106, including \$8,842,857 from the State General Fund, for FY 2008 operating expenditures. The recommendation is an increase of \$1,081,135, or 6.0 percent, above the Governor's FY 2008 recommendation. The recommendation is an increase of \$136,871, or 0.7 percent, above the agency's request for FY 2008 operating expenditures. The Governor recommends \$53,420, all from the State General Fund, of the agency's enhancement request for the purchase of two vehicles.

- The increase is attributable to an increase of \$407,315 in the Administration program for contractual services that is partially offset by decreases in salaries and wages and contractual services in other programs. The increase in contractual services is for increased communication, rents, professional and contractual services, utilities, in-state travel and subsistence, and repairs and service.
- The Governor's FY 2008 recommendation includes the addition of \$460,784, including \$418,338 from the State General Fund, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement.

Senate Subcommittee Recommendation

1. **Pay Plan Adjustment.** Delete \$460,784, including \$418,338 from the State General Fund, recommended by the Governor for 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for pay plan adjustments and the increase in the longevity payments will be considered at a later time.
2. **Federal Funds Concern.** The Senate Subcommittee notes with concern that \$42,446 of agency federal funds were used for salary adjustments and longevity bonuses in implementing the Governor's pay plan. The agency believes the federal funding cannot be used for this purpose. The agency requested that the \$42,446 from the federal funds be retained by the agency for other operating expenditures and that funding for the Governor's recommended pay plan adjustments be replaced with State General Fund moneys.
3. **Vehicles.** Delete \$53,420, all from the State General Fund, recommended by the Governor as part of the agency's enhancement request for the purchase of two vehicles.



Legislative Briefing

Local Ad Valorem Tax Reduction (LAVTR)

The reinstatement of the Local Ad Valorem Tax Reduction (LAVTR) program is a key 2007 legislative priority for cities in Kansas.

- LAVTR is a revenue-sharing program which was established as a partnership between the state and local governments.
- Revenue sharing between the State of Kansas and cities and counties dates back to the 1930s.
- In 1965, the current LAVTR formula was put into statute as part of a compromise. In that compromise, the old revenue sharing program and the local portion of the cigarette tax were eliminated. In exchange, cities and counties were to receive a portion of the state sales and compensating use tax.
- Beginning in 1991, the State of Kansas started “capping” LAVTR dollars and eventually quit appropriating LAVTR funds altogether in 2003.
- Since 1991, \$355,645,000 in LAVTR has been taken by the State and not allocated to cities and counties pursuant to K.S.A. 79-2959.
- Reinstatement of full funding for LAVTR for FY 2008 would require a total transfer of \$71,942,000 cities and counties.
- LAVTR is a dollar for dollar offset of property taxes that represents real property tax relief for ALL Kansas property taxpayers.



**Testimony concerning LAVTR
Local Ad Valorem Tax Reduction Revenue Transfer
Senate Ways and Means Committee
February 8, 2007
Presented by Randall Allen, Executive Director
Kansas Association of Counties**

Mr. Chairman and members of the committee, my name is Randall Allen, Executive Director of the Kansas Association of Counties. I want to thank you and the committee for allowing us to visit with you about the subject of the Local Ad Valorem Tax Reduction Fund (LAVTR) program. The LAVTR program dates back to 1937 when the state's sales tax rate was 2%. At that time, the residual amount of state sales tax fund left after the state had fulfilled its responsibility for welfare and school aid was transferred to the counties for the purpose of reducing property tax levies at the county level and in all other local units of government. Since then, the transfers were made to counties, which then shared its allocation to cities and other local governments *until 2003*, when the State hit a financial wall unlike any budget crisis since the Depression years. In that year, the State suspended demand transfer payments (LAVTR, as well as City-County Revenue Sharing Program funds, and the motor carrier property tax funds, other forms of transfer) to local governments. Since that time, of the three programs, only the motor carrier property tax fund transfer to the Special City-County Highway Fund has continued, and it has been capped at almost half of its full amount. *The attached sheet documents the capping, and then total loss of LAVTR payments over a 17-year period beginning in 1991.*

The impact of losing the LAVTR and other demand transfer money has been a combined deterioration of local services and an increase in local property taxes. To be sure, the loss of LAVTR payments in 2003 forced boards of county commissioners to cut appropriations and thus services at the county level. Since that time, some of the funding for county departments and agencies has been restored by counties, but only through increased taxes and primarily property taxes. The loss of LAVTR funds has left a big hole in all county budgets regardless of size. For the counties in Kansas with no general purpose county-option sales tax and relatively small commercial bases, the loss of LAVTR and other demand transfers has been even more painful, because these counties are least able to shift the burden to another revenue source. For particularly small, rural counties, there has been no place to shift. But for taxpayers across Kansas – in the urban core of our largest cities to small towns to rural farms – the loss of LAVTR funds has been a severe jolt to the economies of our communities.

One might ask, isn't there a way to reorganize counties and other local governments to afford the kind of savings that would not necessitate the reinstatement of demand transfers? Can't local governments become more efficient? I would respond in two ways. Our Association has steadily and consistently advocated legislation to remove obstacles and barriers to consolidation of governmental units. Last year, the Legislature made it easier for counties to consolidate. There is still work to do to remove obstacles to city-county consolidation. Already, counties work with other counties and with cities to achieve economies of scale, through functional consolidations and interlocal

300 SW 8th Avenue
3rd Floor
Topeka, KS 66603-3912
785•272•2585
Fax 785•272•3585

Senate Ways and Means
2-8-07
Attachment 3

cooperation agreements. No single strategy is a panacea for more effective, more efficient government, but we know that local government officials do the best they can every day, just like members of the Legislature. We also appreciate the Legislature's commitment to future mitigation funding (phased in beginning in 2010) to protect property taxpayers from the phased-in effect of the machinery and equipment exemption. Important as the mitigation or slider funding is, it should not be viewed as a substitute for the LAVTR program as it existed prior to FY 2003.

We appreciate the Committee's thoughtful attention to the LAVTR program and urge your favorable action to restore the transfer and thereby allow local property taxes to be constrained. Thank you.

SUMMARY

17-YEAR IMPACT: CAPPING/REDUCING THE STATE REVENUE TRANSFERS FROM THE STATE GENERAL FUND TO FUNDS BENEFITING COUNTIES, CITIES, AND OTHER LOCAL GOVERNMENTS (*in thousands*)

LOCAL AD VALOREM TAX REDUCTION (LAVTR)

Source: State Retail Sales Tax

FISCAL YEAR	TRANSFER PER STATUTES	ACTUAL TRANSFER	NET (LOST) REVENUE
1991	37,164	37,164	0
1992	38,966	38,576	(390)
1993	40,540	39,324	(1,216)
1994	41,971	40,293	(1,678)
1995	44,649	44,649	0
1996	47,054	46,301	(753)
1997	48,661	46,949	(1,712)
1998	50,688	47,771	(2,917)
1999	55,122	55,122	0
2000	57,903	57,903	0
2001	60,315	54,139	(6,176)
2002	61,980	54,680	(7,300)
2003	62,431	-0-	(62,431)
2004	64,636	-0-	(64,636)
2005	66,521	-0-	(66,521)
2006	66,682	-0-	(66,682)
2007	71,233	-0-	(71,233)
Total	916,516	562,871	(353,645)

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 Randall Allen or Judy Moler by calling (785) 272-2585.



CITY OF TOPEKA

William W. Bunten, Mayor
City of Topeka
215 SE 7th Street
Topeka, KS 66603
(785) 368-3895
(785) 368-3850 fax

February 8, 2007

Mr. Chairman:

I am appearing today representing the Topeka City Council and the Governing Body of the Kansas League of Municipalities to respectfully request the reimplementation of the Local Ad Valorem property tax reduction fund appropriation for fiscal year 2008.

I realize fully the requests for funding of good programs are abundant and the available amounts of revenues are limited. But, I believe the value of the LAVTR program is known, and the evidence of that is the decision to reinstate it for fiscal year 2010. Moving that date forward to fiscal year 2008 will be very helpful to cities, such as Topeka, that face some serious financial problems in the near term.

Despite the lapsing of the LAVTR program in 2004, the Topeka City Council has lowered its mill levy in the last four years by 2.474 mills. That was accomplished by reducing what was deemed unnecessary expenditures in all our departments, but we have reached a point that further reductions of consequence would surely result in reducing city services.

I appreciate our council's efforts to lower the mill levy, but a number of clouds are on the horizon that could well pose financial problems for our city.

First, the City has negotiated labor contracts with our Police and Fire Departments that, while returning certain administrative powers to the city, will result in substantially increased expenditures for those departments, an estimated \$503,000 for the Fire Department and more than that for the Topeka Police Department.

Second, we have a total of six unions representing our employees, with eight contracts, and all of these agreements require increased compensation and benefits for the employees they represent and those costs must be met annually.

Third, in recent years the increase in the valuation of property in our city has been from five to seven percent annually. We are forewarned that this may not be the case in 2008 and could be two to three percent.

Senate Ways and Means
2-8-07
Attachment 4

Fourth, the loss over a period of five years of the property tax on Machinery and Equipment, legislation we heartily endorse, will be a factor in our budgeting process and I haven't been able to determine that amount.

Fifth, inflation, without a substantial increase in the valuation of city property and without a property tax increase, is a significant cost that must be dealt with.

Sixth, the gasoline tax has been increased once since 1999, and while it has remained constant, and is much appreciated, the costs of cement and oil-based overlay products have risen dramatically, which could require the city to use General Fund revenues for street repairs.

Seventh, newspaper reports state that the KPERS retirement system is 5.1 billion dollars short of being actively sound, and ten years away from being unable to meet its obligations. That is a signal that a substantial bill is coming our way. The last one, for the Kansas Police and Fire Retirement system, was in the millions of dollars. The employer's contribution presently is 4.3%. *Issue Brief*, a KPERS publication, indicates that percentage will rise to 8.42% by 2015.

My point is this, that Kansas cities, if they are to remain in good financial and physical condition, and if we are to be competitive with cities across the nation as we seek to attract new business and retain existing companies, we must be clean and well cared for, safe and competitive in the area of taxation.

The reimplementation of the LAVTR is not by any means the complete solution to our problems. We would anticipate receiving about one million dollars, the equivalent of one mill in Topeka. But, it would be helpful and your consideration of the proposal to reinstate the program in fiscal year 2008 is much appreciated.

William W. Bunten
Mayor

Osage County Commissioners

Osage County Courthouse

P.O. Box 226

Lyndon, Kansas 66451-0226

WRITTEN TESTIMONY

Ways and Means Committee

Concerning the reinstatement of demand transfers

Submitted by William R. Prescott, Osage County Commissioner

February 8th, 2007

Chairman Umbarger and members of the committee, thank you for allowing me to voice Osage County's opinion this morning. I am here to support the reinstatement of demand transfers.

The 2003 loss of demand transfers created the need to increase the Osage County mil levy 26% in the following two years. The portion of revenue from property taxes more that doubled from 23% to 48% from 1996 to 2004, largely due to the loss of demand transfers. Property taxes will get even worse with the additional loss of the M & E tax revenue.

Demand transfers are very important to rural counties that do not have the ability to create revenue from sales taxes.

Thank you for considering reinstatement of demand transfers and letting me voice Osage County's opinion. I would be happy to answer any questions you might have.

Exhibit A – Fund levy history

Exhibit B – Real revenue by source

Exhibit C – Revenues as percent of total

D. Scot Loyd, CPA

KSU–Fiscal Conditions and Trends, 2006

KSU–Fiscal Conditions and Trends, 2006

*Senate Ways and Means
2-8-07
Attachment 5*

	A	B	C	D	E	F	G	H	I	J
1	Osage County, Kansas									
2	Assessed Valuation, Fund Levy and Increase (Decrease) in Levy									
3	August 15, 2005									
4										
5	<u>Budget</u>	<u>Tax Levy</u>		<u>Final Assessed</u>	<u>Percent</u>	<u>Assessed Valuation</u>		<u>Total Fund</u>	<u>Percent</u>	<u>Fund Levy</u>
6	<u>Year</u>	<u>Year</u>		<u>Valuation</u>	<u>Increase</u>	<u>Increase By Year</u>		<u>Levy</u>	<u>Increase</u>	<u>Increase By Year</u>
7										
8	1987 Budget	1986 Tax Levy		\$47,355,982				29.580		
9	1988 Budget	1987 Tax Levy		\$47,825,646	0.992%	\$469,664		32.680	10.480%	3.100
10	1989 Budget	1988 Tax Levy		\$47,893,767	0.142%	\$68,121		30.990	-5.171%	(1,690)
11	1990 Budget	1989 Tax Levy		\$52,206,173	9.004%	\$4,312,406		30.470	-1.678%	(0,520)
12	1991 Budget	1990 Tax Levy		\$53,531,869	2.539%	\$1,325,696		30.428	-0.138%	(0,042)
13	1992 Budget	1991 Tax Levy		\$56,568,119	5.672%	\$3,036,250		30.462	0.112%	0.034
14	1993 Budget	1992 Tax Levy		\$58,691,011	3.753%	\$2,122,892		32.782	7.616%	2.320
15	1994 Budget	1993 Tax Levy		\$58,597,045	-0.160%	(\$93,966)		33.189	1.242%	0.407
16	1995 Budget	1994 Tax Levy		\$62,378,786	6.454%	\$3,781,741		28.954	-12.760%	(4,235)
17	1996 Budget	1995 Tax Levy		\$64,766,992	3.829%	\$2,388,206		28.588	-1.264%	(0,366)
18	1997 Budget	1996 Tax Levy		\$69,803,584	7.776%	\$5,036,592		24.031	-15.940%	(4,557)
19	1998 Budget	1997 Tax Levy		\$77,109,957	10.467%	\$7,306,373		23.374	-2.734%	(0,657)
20	1999 Budget	1998 Tax Levy		\$82,619,358	7.145%	\$5,509,401		26.312	12.570%	2.938
21	2000 Budget	1999 Tax Levy		\$85,326,460	3.277%	\$2,707,102		28.791	9.422%	2.479
22	2001 Budget	2000 Tax Levy		\$92,911,733	8.890%	\$7,585,273		31.727	10.198%	2.936
23	2002 Budget	2001 Tax Levy		\$97,793,861	5.255%	\$4,882,128		31.878	0.476%	0.151
24	2003 Budget	2002 Tax Levy		\$102,472,437	4.784%	\$4,678,576		33.766	5.923%	1.888
25	2004 Budget	2003 Tax Levy		\$107,322,930	4.733%	\$4,850,493		36.850	9.133%	3.084
26	2005 Budget	2004 Tax Levy		\$112,787,805	5.092%	\$5,464,875		43.061	16.855%	6.211
27	2006 Budget	2005 Tax Levy		\$117,376,422	4.068%	\$4,588,617		45.598	5.892%	2.537
28	2007 Budget	2006 Tax Levy		\$121,373,177	3.405%	\$3,996,755		47.042	3.167%	1.444

Real Revenues by Detailed Source

Table 8 summarizes Osage County's real revenues by source from 2000 to 2004. Again, significant changes over time may be due to shifts in local needs or priorities, administrative reorganization, or changes in state and federal mandates; and, large percentage changes from 2000 to 2004 may be due to a small revenue level or unusual circumstances in either year.

Table 8. Real revenues by source, Osage County, 2000-2004

Function	2000 (2004\$)	2001 (2004\$)	2002 (2004\$)	2003 (2004\$)	2004 (2004\$)	% change 2000-2004
Total Revenues ^a	7,496,452	7,570,906	7,640,312	7,500,793	8,038,389	7%
Property Tax	2,717,140	3,147,859	3,252,184	3,496,840	3,842,445	41%
LAVTR ^b	194,322	183,092	169,141	0	0	
Delinquent Tax	50,696	39,149	54,515	65,779	70,252	39%
Interest on Delinquent Tax	44,739	52,372	66,075	50,180	48,288	8%
Motor Vehicle Tax	442,800	474,907	538,809	551,793	592,274	34%
Recreational Vehicle Tax	19,570	18,179	25,464	18,728	20,686	6%
16/20M Vehicle Tax	0	0	204	0	0	
City/County Rev. Sharing ^c	111,990	110,556	49,789	0	0	
In Lieu of Tax	0	0	0	0	0	
Retail Sales Tax	634,239	599,034	573,292	560,915	631,767	
Severance Tax ^d	19	27	12	60	44	130%
Intangible Tax ^e	0	0	0	0	0	
Special Highway ^f	786,526	741,129	714,913	639,569	636,396	-19%
911 Tax ^g	78,541	78,559	74,502	68,500	72,416	-8%
Bingo Tax	0	0	0	0	0	
Transient Guest Tax ^h	0	0	0	0	0	
Mortgage Reg. Fee	112,778	168,892	178,819	203,310	198,711	76%
Motor Vehicle Reg. Fee	0	0	0	0	0	
Interest on Idle Funds	306,545	231,650	84,361	48,192	51,328	-83%
Other Revenues ⁱ	1,996,547	1,725,499	1,858,233	1,796,927	1,873,782	-6%

^a Revenues do not include unreserved fund balances carried forward from year to year.

^b The state distributed Local Ad Valorem Tax Reduction (LAVTR) funds to counties based 65 percent on population and 35 percent on tangible assessed valuation for the preceding year. In 2003, LAVTR was suspended due to a state budget shortfall.

^c The state distributed city/county revenue sharing funds to counties based 65 percent on population and 35 percent on tangible assessed valuation. In 2002, revenue sharing was cut in half and then fully eliminated in 2003 in response to a state budget shortfall.

^d State severance tax funds are distributed to counties based on their proportionate share of severance tax collections.

^e The intangibles tax is an optional local tax on residents' interest earnings from investments.

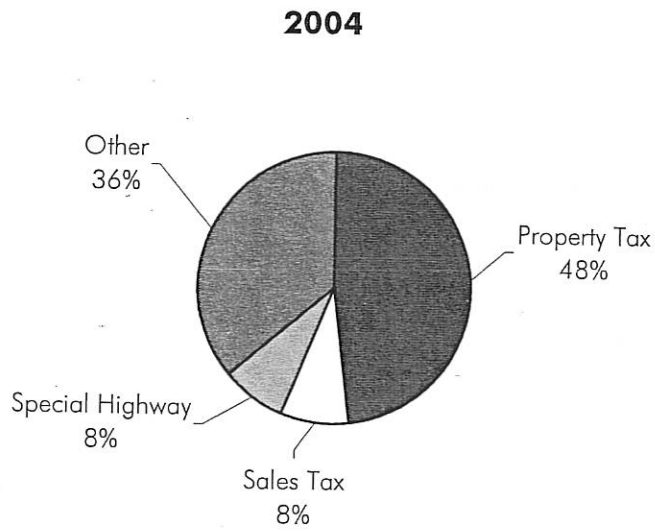
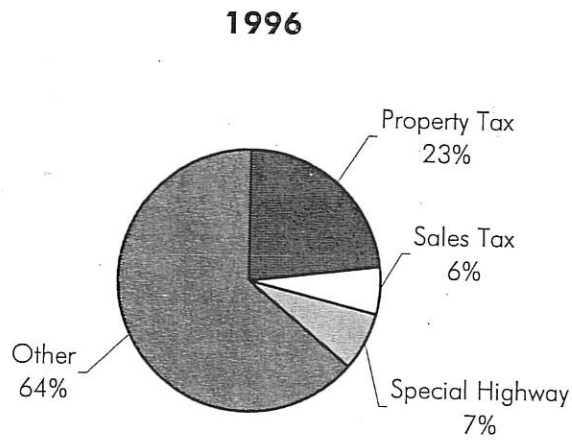
^f Counties initially receive \$5,000 each from the county distribution of the state special highway fund. The remainder of the fund is distributed to counties based a formula that takes in to consideration the county's proportionate share of motor vehicle registration fees, average daily vehicle miles, and total road miles. In 2003, the funding for this aid program was adjusted in a way to reduce the total amount of aid available. This change was instituted in response to a state budget shortfall.

^g The 911 tax is an optional local tax collected by local telephone companies on the basis of installed telephone lines.

^h The transient guest tax is an optional local tax on hotel, motel, and bed and breakfast room rentals.

ⁱ Other revenues include bond proceeds and other debt, grants, user fees, and miscellaneous revenues. Additional detail is provided on page 24.

Figure 6. Revenues by major source as percent of total revenues, Osage County, 1996 and 2004



TO: Senate Ways and Means committee
FROM: Dee Stuart, Mayor of Park City of Park City
DATE: February 8, 2007
RE: Discussion on LAVTR

Good Morning, Chairman and members of the Committee. My name is Dee Stuart and I currently serve as Mayor of the City of Park City, Kansas. I am here today to join the discussion of Local Ad Valorem Tax Reduction.

City mill levies for the City of Park City have risen a total of 11% over the four years since the LAVTR was eliminated. It is increasingly difficult to add to the tax burden of residents already facing annual property appraisal increases.

Looking at the numbers, the Cities of the Third Class don't seem to have been terribly affected, although they may have just sacrificed services to keep the lid on taxes. The Cities of the Second Class of Sedgwick County have seen mill levy increases that average 16%. And our property evaluations have gone up every year in addition to the tax rate.

The citizens of Park City would benefit greatly from the reinstatement of the Local Ad Valorem Tax Reduction. Streets need to be repaired; we are rebuilding two bridges this year; we have had to build a million dollar plus water tower to ensure proper water pressure for the northern area; infrastructure costs are skyrocketing. Like all cities, there is never a shortage of projects and never a shortage of priorities. Having the increased funding from the State of Kansas would make easier for all of us.

Senate Ways and Means
2-8-07
Attachment 6



Testimony Presented to the Senate Ways and Means Committee, 2/8/07.

CITY COMMISSION

Gary E. Fuller,
Mayor

JAMES R. BEHAN

DAVID CRASE

REYNALDO R. MESA

JUANA "JANIE" PERKINS

Presented by Gary Fuller, Mayor of the City of Garden City concerning restoration of Local Ad Valorem Tax Reduction

Chairman Umbarger and Committee Members,

Like other cities and counties across the State, the City of Garden City absorbed the financial burden placed upon us by Governor Graves in 2002 and the Kansas Legislature in 2003. We did so in the following four ways:

1. We deferred capital projects primarily designed to upgrade or maintain existing infrastructure.
2. We froze the workforce at 10% below budgeted levels.
3. We spent down cash balances in the form of one-time transfers from non-tax funds well below auditor-recommended levels, and
4. As a last resort, we raised the local property tax mill levy.

ROBERT M. HALLORAN
City Manager

MATTHEW C. ALLEN
Asst. City Manager

MELINDA A. HITZ, CPA
Finance Director

RANDALL D. GRISELL
City Counselor

In the end, the State of Kansas "held the line" by absorbing a revenue stream that had been diverted to local governments, not through an act of benevolence, but as a result of intergovernmental compromise in the 1960s. In short, the State shifted the tax burden to local governments where local elected officials endured the political ramifications of service reduction and tax increases.

That being said, I think local elected officials take pride in the fact that most of our cities and counties had adequately prepared for economic downturns and were able to play an uncelebrated role in restoring the State's financial health. Now that stability has returned in your revenues, we would ask for you to restore Local Ad Valorem Tax Reduction.

Respectfully Submitted,

Gary E. Fuller, Mayor

**CITY ADMINISTRATIVE
CENTER
301 N. 8TH
P.O. BOX 499
GARDEN CITY, KS
67846-0499
620.276.1160
FAX 620.276.1169
www.garden-city.org**

*Senate Ways and Means
2-8-07
Attachment 7*



TIM R. NORTON
Commissioner - Second District

BOARD OF COUNTY COMMISSIONERS
SEDGWICK COUNTY, KANSAS

COUNTY COURTHOUSE • SUITE 320 • 525 NORTH MAIN • WICHITA, KANSAS 67203-3759
TELEPHONE (316) 660-9300 • FAX (316) 383-8275
e-mail: tnorton@sedgwick.gov

Discussion on
LAVTR
Senate Ways and Means
February 8, 2007

Chairman Umbarger, members of the committee I am Sedgwick County Commissioner Tim Norton, thank you for the opportunity to discuss the need to reinstate LAVTR revenues. The end of these demand transfers in the Governor's 2003/2004 budget has had a big impact on Sedgwick County reducing revenues by \$6.9 million beginning in our 2004 fiscal year. The best example of the impact on Sedgwick County would be our Adult Detention Facility.

Jail overcrowding has become a huge issue in Sedgwick County in 1958 we had a need for 148 beds; by 1989 we had increased our bed space to 418 beds. That is an increase of less than 9 beds a year for over 31 years. Today we have a need for over 1600 beds. That is just under 70 beds a year for the last 17 years. I understand the need to be tough on crime and the lack of prison beds, but these policies have put an undue burden on county government.

In 2006 Sedgwick County raised the mil levy to pay for our needed jail expansion. The bond payments for this project are estimated to be \$4.5 million per year for 20 years. These bonds could have been paid for without a tax increase, a tax increase that had an impact on the elections in November, if LAVTR revenues had been in place.

As I mentioned before Sedgwick County is building a new jail in part because of tougher sentencing passed by the State legislature. These tougher sentences have come with out the needed revenue to pay for the increased jail beds. LAVTR revenues could have off set these unfunded mandates.

This is just one example of how the loss of LAVTR revenues affects counties. As President of the Kansas County Commissioners Association, I continue to hear from County Commissioners throughout the State how the loss of revenue sharing monies has negatively affected their ability to provide needed services and added an additional burden to their ability to hold property tax rates down.

Senate Ways and Means
2-8-07
Attachment 8

CITY OF SHAWNEE

CITY HALL
11110 Johnson Drive
Shawnee, Kansas 66203
(913) 631-2500
FAX (913) 631-7351

CIVIC CENTRE
13817 Johnson Drive
Shawnee, Kansas 66216
(913) 631-5200

FIRE
6501 Quivira Road
Shawnee, Kansas 66216
(913) 631-1080
FAX (913) 631-1628

POLICE
6535 Quivira Road
Shawnee, Kansas 66216
(913) 631-2155
FAX (913) 631-6389

Testimony to the Senate Ways and Means Committee
LAVTR Hearing
February 8, 2007

Chairman Umbarger and members of the Committee, I am Dawn Kuhn, Councilmember from Ward 3 in the City of Shawnee. I am here representing the Mayor, my fellow Councilmembers and the residents and businesses of Shawnee. We are asking that you consider reinstating the Local Ad Valorem Tax Reduction program.

The City of Shawnee is currently the second fastest growing city in Johnson County. Exuberant economic development in the City of Shawnee has been a catalyst for an influx of new residents, a revitalizing downtown area and diverse commercial and residential growth. Yet, as you well know, growth does not come without its costs. Related infrastructure needs, increased traffic, community revitalization projects and new development impose ever-higher levels of demand on already strained city resources.

The continued suspension of the LAVTR program will have an adverse impact on our local budget and for other cities across the state. Shawnee alone has lost millions of dollars in revenue from the discontinuation of this program. In the past, Shawnee received two types of revenue sharing from the State. City-County revenue sharing was financed by the State sales and use taxes and apportioned to each County based on the 65% on population and 35% on assessed valuation. At the County level, the County distributed 50% of the funds they received based on City population and kept the remainder. The last full year of City-County receipts for Shawnee was 2001, when we received \$378,205. It was phased out totally in 2002, when we only received \$185,665.

LAVTR was funded at the State level by taking 4.5% of total retail sales and use taxes and distributing to all municipalities based on 65% of population and 35% on valuation. The last year the City received funds were in 2002 in the amount of \$362,782. Based on zero increases to each of these revenues, the total amount lost over the past five years is approximately **\$3,519,935**. Please keep in mind that this is a very conservative estimate and it does not account for the high growth in population and valuation that Shawnee has experienced during this period.

During our 2007 budget process, the governing body had to raise our mill levy by 3.6 mills to maintain our city services. We have had to remove many projects from our Capital Improvements Program, and the program which was approved for 2007 was affectionately named the "bare bones" CIP. Without this mill increase, the City could have been forced to consider cutting essential City services.

Senate Ways and Means
2-8-07
Attachment 9

CITY OF SHAWNEE

CITY HALL
11110 Johnson Drive
Shawnee, Kansas 66203
(913) 631-2500
FAX (913) 631-7351

CIVIC CENTRE
13817 Johnson Drive
Shawnee, Kansas 66216
(913) 631-5200

FIRE
6501 Quivira Road
Shawnee, Kansas 66216
(913) 631-1080
FAX (913) 631-1628

POLICE
6535 Quivira Road
Shawnee, Kansas 66216
(913) 631-2155
FAX (913) 631-6389

Testimony to the Senate Ways and Means Committee
LAVTR Hearing
February 8, 2007
(Page 2)

LAVTR is a dollar for dollar offset of property taxes that represents real property tax relief not only for Shawnee residents, but for ALL Kansas property taxpayers. The City of Shawnee urges the Legislature to fulfill its commitment to local governments by reinstating and fully funding all demand transfer programs to their statutorily mandated levels.



**TESTIMONY IN SUPPORT OF THE REINSTATEMENT
OF LOCAL AD VALOREM TAX REDUCTION FUNDS (LAVTR)**

To: Honorable Dwayne Umbarger, Chair
Members of Senate Ways and Means Committee

From: Matt Shatto, Assistant City Administrator, on behalf of the City of Lenexa
Governing Body

Date: February 4, 2007

Subject: LAVTR – Written Testimony Only

Thank you for the opportunity to present testimony regarding the possible reinstatement of Local Ad Valorem Tax Reduction Funds (LAVTR). The City of Lenexa recognizes the importance of this proposal and fully supports such reinstatement. The reinstatement of such funds would not only aid local governments in addressing current budgetary constraints such as those created by the Machinery and Equipment Property Tax Exemption, but would also provide some type of tax relief to many Kansas property taxpayers.

As you are aware, the State Legislature established the Local Ad Valorem Tax Reduction Fund in 1965 to provide additional revenue to counties, cities, school districts, and other local governmental entities. The fund was financed with 4.5% of the total sales and compensating use taxes collected by the State.

The State Legislature eliminated this revenue source effective for the City's 2003 fiscal year (January 1 - December 31). In 2000 through 2002, the City received an annual average disbursement of approximately \$650,000 from LAVTR. This annual amount currently equates to approximately 67% of one mill of property tax for the City.

If LAVTR funding were restored by the State Legislature, the City could partially reinstate services that had been cut from the budget in 2003 due to the elimination of both LAVTR and City-County Revenue Sharing (CCRS) and consider reducing the existing mill levy. In addition, the funds could be used to address unfunded projects in the City's Capital Improvement Program.

The City of Lenexa fully supports the reinstatement of LAVTR and any other statewide legislation that would decrease the municipalities' reliance on property tax revenue.

*Senate Ways and Means
2-8-07
Attachment 10*



THE CITY OF ROELAND PARK, KANSAS

4600 West Fifty-First Street
Roeland Park, Kansas 66205
City Hall (913) 722-2600 - Fax (913) 722-3713

MEMORANDUM

TO: SENATE WAYS AND MEANS COMMITTEE
FROM: THE CITY OF ROELAND PARK
SUBJECT: LAVTR
DATE: 2/7/2007

At its meeting of February 5, 2007, the Roeland Park City Council voted unanimously to support the reinstatement of the LAVTR payment to local government. During the last five years in which the program was funded, the City of Roeland Park received nearly \$250,000 which had been used for essential City services. When the funding abruptly stopped, the City had to increase property taxes and spend cash reserves to continue the existing level of citizen services.

Therefore, we respectfully request the reinstatement of the LAVTR payment.

CC: MAYOR AND CITY COUNCIL

Senate Ways and Means
2-8-07
Attachment II



February 7, 2007

Honorable Sen. Dwayne Umbarger, Chair
Senate Ways and Means Committee
Kansas Statehouse
300 SW 10th, Room 123-S
Topeka, KS 66612

CITY COMMISSION

Gary E. Fuller,
Mayor

JAMES R. BEHAN

DAVID CRASE

REYNALDO R. MESA

JUANA "JANIE" PERKINS

Honorable Sen. Umbarger and Committeepersons:

I present this written testimony as a City Commissioner for the City of Garden City and as a board member for the League of Kansas Municipalities. In 2002, our community was coping with the economic crisis of loosing one of our primary employers. The fiscal crunch was being felt throughout the City. Thankfully, we had prepared as a City financially to weather economic downturns. We were making cuts and hard service delivery decisions, but we knew we were doing what we had to do to take care of our business.

Late that year, when Governor Graves suspended Local Ad Valorem Tax Reduction, our City was forced to save the value of 1 mill in the last five weeks of the year. In addition, we were faced with amending our coming year's budget (which, by State law, we approved over three months prior) by over 2 additional mills when the State Legislature followed suit. As a City Commissioner, this left a bitter taste in my mouth. Although my fellow Commissioners and I assumed responsibility and made hard decisions over the years to ensure the City's financial house was in order, leaders at the State took LAVTR and piled on their burden as well.

Since that time, the City (as an organization) has adapted to "life without LAVTR." And the State has seen fit to more adequately fund education and has cut some of its own revenue streams to try and stimulate development. In short, I feel confident that it is possible to put the intergovernmental conflicts behind us. I think our citizens that we both serve would like to see that as well. Nothing would promote a renewed spirit of working together better than restoring the compromise between the State and local governments and that was made in 1965. I respectfully ask for you to restore Local Ad Valorem Tax Reduction and allow each unit of local government to self determine whether that is best applied to restoring service delivery or reducing the local property tax burden.

Respectfully Submitted,

Reynaldo R. Mesa, City Commissioner

ROBERT M. HALLORAN
City Manager

MATTHEW C. ALLEN
Asst. City Manager

MELINDA A. HITZ, CPA
Finance Director

RANDALL D. GRISELL
City Counselor

CITY ADMINISTRATIVE

CENTER
301 N. 8TH
P.O. BOX 499
GARDEN CITY, KS
67846-0499
620.276.1160
FAX 620.276.1169
www.garden-city.org

Senate Ways and Means
2-8-07
Attachment 12



February 7, 2007

CITY COMMISSION

Gary E. Fuller,
Mayor

JAMES R. BEHAN

DAVID CRASE

REYNALDO R. MESA

JUANA "JANIE" PERKINS

Honorable Sen. Dwayne Umbarger, Chair
Senate Ways and Means Committee
Kansas Statehouse
300 SW 10th, Room 123-S
Topeka, KS 66612

Honorable Sen. Umbarger and Committeepersons:

I have been a City Commissioner since 2005. While I was not a member of the City Commission when Local Ad Valorem Tax Reduction (LAVTR) was taken from cities and counties, I did experience first hand the crunch of trying to provide adequate levels of service without the necessary amount of funding in my capacity as a member of Finney County EMS.

When the state passed on their own loss of revenues in the form of stripping LAVTR from cities and counties, the agencies most affected were local emergency services. These are generally the largest departments in the taxing funds of cities and counties, and therefore were the most impacted by missing revenues. Across the State this translated into fewer resources for emergency medical responders, fire departments and law enforcement agencies. Those local governments who continued to provide adequate funding for these departments, had to do so by raising revenues through increased property tax.

ROBERT M. HALLORAN
City Manager

MATTHEW C. ALLEN
Asst. City Manager

MELINDA A. HITZ, CPA
Finance Director

RANDALL D. GRISELL
City Counselor

I respectfully ask this Committee to consider restoring LAVTR so that cities and counties can get back to providing the level of public safety that our communities deserve at the lower local tax rate they also deserve.

Sincerely,

James R. Behan, City Commissioner

CITY ADMINISTRATIVE
CENTER
301 N. 8TH
P.O. Box 499
GARDEN CITY, KS
67846-0499
620.276.1160
FAX 620.276.1169
www.garden-city.org

Senate Ways and Means
2-8-07
Attachment 13



February 5, 2007

Senator Dwayne Umbarger, Chairman
Senate Ways & Means Committee
State Capitol
Topeka, KS 66612

Honorable Chairman Umbarger and Committee Members,

Beginning in 1991, the State of Kansas started "capping" Local Ad Valorem Tax Reduction (LAVTR) dollars. In 2003, the State of Kansas then eliminated two important revenue-sharing programs that existed between the state and local governments: the LAVTR program and the City/County Revenue Sharing (CCRS) program. As a result of this action, the City of Leavenworth lost approximately \$650,000 of annual revenue (\$350,000 for LAVTR and \$300,000 for CCRS) in 2003. This lost revenue represented the equivalent of 4.65 mills in 2003.

As was true of virtually all local governments, it was not possible for the City of Leavenworth to entirely absorb this unexpected loss of revenue by reducing expenditures. While many local governments raised property taxes, Leavenworth instead reduced expenditures and raised other revenue sources as a means by which to replace the loss of LAVTR and CCRS revenue. Revenue sharing between the State of Kansas and cities and counties dates back to the 1930s.

The City of Leavenworth is committed to property tax relief for its citizens and strongly supports the reinstatement of the LAVTR program as a means by which to accomplish this important goal.

Sincerely,

Laura Janas Gasbarre
Mayor

City of Kinsley
721 Marsh
P.O. Box 7
Kinsley, KS 67547-0007
(620) 659-3611

February 2, 2007

To: Senate Ways and Means Committee

Re: Reinstatement of LAVTR program

Dear Committee Members,

The City of Kinsley fully supports the Kansas League of Municipalities position on the reinstatement of the Local Ad Valorem Tax Reduction program. We believe it is essential to local government being able to provide quality services to our citizens while providing real property tax relief.

This is especially important to the smaller, more rural communities of Kansas. Often we are dealing with stagnant, or decreasing, property valuations combined with an aging population, many of whom are living on fixed incomes. The return of the LAVTR program would be huge step in helping to combat this recipe for hardship we are currently facing.

In closing, let me remind you revenue sharing between the State of Kansas and cities and counties has a strong historical background. Bringing back a fully funded LAVTR program is the right thing to do to honor our past, deal with our present and prepare for our future.

Thank you for your consideration,

Jay Dill
Kinsley City Manager

Senate Ways and means
2-8-07
Attachment 15



City Hall
1101 Poyntz Avenue
Manhattan, KS 66502-5497

Phone: 785.587.2400
Fax: 785.587.2409
Internet: www.ci.manhattan.ks.us

February 5, 2007

Senate Ways and Means Committee
Kansas Legislature
Topeka, Kansas

Dear Committee Members:

Thank you for the opportunity to present this letter on behalf of the citizens of Manhattan, Kansas, our City Commission, City Administration, and all City employees and appointed boards.

For decades, the municipalities of our state have enjoyed a close partnership with State government in helping deliver local services to all Kansans, rural or urban. As demands for these services have increased, the role and size of government, both State and local, also has increased to meet these growing needs.

Unfortunately, the partnership between municipalities and the State of Kansas was adversely affected several years ago by the dilution and eventual elimination of state-shared revenues transferred to cities and counties derived from sales taxes generated across the state.

For the City of Manhattan, the loss of demand transfers had an immediate tax impact on local citizens that is best evidenced by the following table:

	City Valuation	LAVTR	Revenue Sharing	Local Mill Levy Impact <i>(estimated & actual)</i>
2006	321,481,120	0	0	3.18
2005	295,185,464	0	0	3.29
2004	270,999,023	0	0	3.42
2003	241,637,190	0	0	3.65
2002	227,452,305	502,222	155,843	2.89
2001	211,317,793	511,693	333,103	4.00
2000	194,866,210	537,111	330,106	4.45
1999	180,947,529	533,034	359,356	4.93
1998	173,746,968	533,363	394,987	5.34
1997	164,972,906	492,519	388,455	5.34
1996	158,509,414	484,625	356,191	5.30

While the City of Manhattan adapted to this loss of state-shared revenues, the loss of this revenue source placed a significant burden on the City's ability to maintain property taxes at an acceptable level while continuing to meet the demands of a growing community.

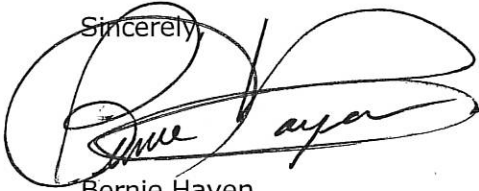
Senate Ways and Means
2-8-07
Attachment 16

February 5, 2007

Speaking for all citizens, elected officials, and local government administrations, I would strongly encourage favorable consideration for renewing and strengthening state-shared demand transfers which have been an important part of the ongoing partnership we share with our citizens.

I would be happy to visit with each of you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Bernie Hayen", written over a large, stylized circular flourish.

Bernie Hayen
Director of Finance
City of Manhattan
785.587.2470 (Direct line)

Cc. Ron Fehr, City Manager
Diane Stoddard, Deputy City Manager
Jason Hilgers, Assistant City Manager
Gary Fees, City Clerk
Kimberly Winn, Director of Policy, League of Kansas Municipalities
Dick Carter, Lobbyist, City of Manhattan

(620) 326 3631
February 5, 2007

Dwayne Umbarger, Chair
Senate Ways and Means Committee
State of Kansas – Capitol Office
300 West 10th St. – Rm. 120S
Topeka. KS 66612-1504

Dear Sir:

On behalf of the City Council of the City of Wellington, please accept this letter in support of the legislation providing for the reinstatement of the Local Ad Valorem Tax Reduction. This reinstatement is critical to any attempt for the City of Wellington to provide any tax relief to its citizens.

The City has made many concessions and adjustments since the loss of this type of revenue from the State of Kansas. Basically, the citizens have suffered the brunt of the loss, however, the Council has made every effort to minimize the impact. This is an opportunity for the State as well as the City Council to bring back some type of relief and/or increase the level of Governmental services that the citizens have come to expect and deserve.

Our Local Ad Valorem tax is the equivalency of 1.5 mills – or approximately \$60,000.00. This is significant in that the City of Wellington is currently in the higher percentile of property taxes for the local Governmental services when compared to other like-cities throughout the State of Kansas. Again this would provide an opportunity to off set the use of local property taxes.

Thank you for your consideration. I would be happy to provide any type of additional information, testimony, if required.

Sincerely,

Stanley A. Gilliland
Mayor

Senate Ways and Means
2-8-07
Attachment 17

City of Girard, Kansas

120 North Ozark
Girard, Kansas 66743-1321

Phone (620) 724-8918

Fax (620) 724-8060

E-Mail: cityofgirard@ckt.net

"A Great Place to Call Home"

LETTER OF SUPPORT FOR THE REINSTATEMENT OF THE LOCAL AD VOLERM TAX REDUCTION PROGRAM

TO: KANSAS SENATE WAYS AND MEANS COMMITTEE

Dear Committee Members:

At the Girard City Council Meeting of February 5th, 2007 it was passed and approved unanimously to submit this letter of support for the reinstatement of the local ad volerm tax reduction program.

Like all cities, our budgets have suffered significantly due to the elimination of these transfers. Girard has lost over \$50,000 per year. This has resulted in increased property taxes and a significant reduction in vital services such as police and fire. In order for our community to generate the amount lost requires and increase in property taxes of almost four mills.

We as a community, implore you to find a way to reestablish this program so that we might help our citizens with lower property taxes and better services they deserve.

Sincerely,



Maurice A. Harley, Mayor

Maurice A. Harley, Mayor

Senate Ways and Means
2-8-07
Attachment 18

Sheldon Hamilton, CPA, MPA
Finance Director, City of Atchison
sheldonh@cityofatchison.com

The City of Atchison is pleased to be able to appear today and present information in support of permanent reinstatement of funding for LAVTR. These funds will not only help replace the lost revenue from HB 2583 passed in 2006, but will also assist the State in achieving parity for funding industrial expansion, and will reduce the pressure on property taxes, which is the least popular of all taxes.

In 2007, Atchison will receive \$303,400 in the general fund from business personal property tax. Business personal property represents 15.6 percent of the tax base in Atchison. As you are aware, the Kansas Legislature phased business personal property out of the tax base last year. The hope was that this would provide an economic climate sufficient to recover lost revenues when considered with a sliding-scale reimbursement that phases out in 2012.¹ The impact of HB 2583 for Atchison will be an annual revenue shortfall of about \$220,000 when all personal property tax is phased out.²

In Atchison, most industrial expansion occurs with the aid of industrial revenue bonds (IRB), which generally allow for a ten-year exemption of property taxes. The attached cost benefit analyses are from the last two IRBs in Atchison. These are calculated by the Department of Commerce and sent to the Board of Tax Appeals with the request for property tax exemption.

The State receives a higher rate of return on its economic development investment with a much quicker payback than the City as illustrated by the following examples. The first is for an expansion by Northwest Pipe Co. and results in a payback to the City of

¹ A reduced amount for LAVTR phases in from 2010 through 2012

² 2007 business property tax of \$303,400 minus \$83,500 LAVTR (see footnote 2)

Senate Ways and Means
2-8-07
Attachment 19

\$1.63 for each dollar invested with a payback period of 4 years. The payback for the State is much quicker with \$3.59 returned for each dollar invested with a payback period of 1 year. The second is for an expansion by MGPI and results in a payback to the City of \$2.26 for each dollar invested with a payback period of 5 years. The payback for the State is \$2.77 for each dollar invested with a payback period of 1 year.

Lastly, the City received LAVTR funds totaling \$121,933 in the general fund for 2002, the last year LAVTR was distributed. I estimate the City will receive \$83,500 in 2010 and thereafter, resulting in a reduction of about \$38,400 from the 2002 level.³ These figures do not account for the additional property tax losses from telecommunications and railroad companies included in HB 2583. It is possible the railroad and telecommunication exemptions will not meet Constitutional muster unless they are extended to all utilities. In this instance, additional revenue losses will occur at the local level.

In summary, the City supports reinstating LAVTR funding for three reasons. To restore the LAVTR funds eliminated in 2002, to replace the funds lost as the result of HB 2583, and to further assist with economic development. The City has reduced its mill levy from 57.570 in 2004 to 45.494 in 2007. We respectfully request the State be a full partner in local efforts to lower property taxes and fund economic development.

³ The calculations are attached and are based on figures obtained from HB 2583 and *Kansas Government Journal* March 2006. These are general fund receipts.

City of: Atchison

Benefits:

Year	Sales Taxes	Property Taxes	Utilities and Utility Franchise Fees	Other Municipal Revenues (Including PILOT)	Total
Construction Period	\$800	\$0	\$0	\$5,000	\$5,800
1	\$410	\$51,823	\$0	\$11,985	\$64,218
2	\$876	\$50,496	\$0	\$25,705	\$77,078
3	\$1,147	\$53,562	\$0	\$31,894	\$86,603
4	\$1,181	\$50,076	\$0	\$34,149	\$85,406
5	\$1,224	\$50,205	\$0	\$36,531	\$87,959
6	\$1,260	\$49,647	\$0	\$39,013	\$89,920
7	\$1,315	\$47,377	\$0	\$40,841	\$89,534
8	\$1,362	\$44,214	\$0	\$41,934	\$87,510
9	\$1,410	\$45,318	\$0	\$43,060	\$89,789
10	\$1,460	\$46,455	\$0	\$44,220	\$92,136
Total	\$12,446	\$489,174	\$0	\$354,331	\$855,952

Costs:

Year	Property Taxes Abated	Incentives	Taxes Abated & Incentives	City Costs for the firm and Municipal Services for New Residents	Total Costs, Taxes Abated & Incentives
Construction Period	\$0	\$0	\$0	\$0	\$0
1	\$51,025	\$0	\$51,025	\$3,462	\$54,487
2	\$47,210	\$0	\$47,210	\$10,696	\$57,906
3	\$43,406	\$0	\$43,406	\$13,643	\$57,049
4	\$39,616	\$0	\$39,616	\$15,131	\$54,746
5	\$35,839	\$0	\$35,839	\$16,695	\$52,534
6	\$32,075	\$0	\$32,075	\$18,341	\$50,416
7	\$28,326	\$0	\$28,326	\$19,480	\$47,807
8	\$24,592	\$0	\$24,592	\$20,065	\$44,656
9	\$25,107	\$0	\$25,107	\$20,667	\$45,774
10	\$25,638	\$0	\$25,638	\$21,287	\$46,925
Total	\$352,834	\$0	\$352,834	\$159,466	\$512,300

Net Benefits (or Costs)

Year	Public Benefits	Public Costs, Property Taxes Abated and Incentives	Net Benefits or (Costs)	Present Value of Net Benefits	Present Value of taxes abated and incentives
Construction Period	\$5,800	\$0	\$5,800	\$5,800	\$0
1	\$64,218	\$54,487	\$9,731	\$9,731	\$48,365
2	\$77,078	\$57,906	\$19,172	\$17,225	\$42,416
3	\$86,603	\$57,049	\$29,554	\$25,169	\$36,965
4	\$85,406	\$54,746	\$30,660	\$24,749	\$31,979
5	\$87,959	\$52,534	\$35,424	\$27,104	\$27,421
6	\$89,920	\$50,416	\$39,504	\$28,650	\$23,263
7	\$89,534	\$47,807	\$41,727	\$28,685	\$19,473
8	\$87,510	\$44,656	\$42,854	\$27,923	\$16,024
9	\$89,789	\$45,774	\$44,015	\$27,185	\$15,507
10	\$92,136	\$46,925	\$45,211	\$26,468	\$15,009
Total	\$855,952	\$512,300	\$343,652	\$248,689	\$276,421

Discounted payback period for taxes abated and incentives	4 Years
Compound rate of return over the next ten years on the city's investment of taxes abated and incentives for the firm	5.04%
Benefit/Cost Ratio (Over 10 Years).....	1.63 : 1

State of Kansas

Benefits:

Year	Sales Taxes	Property Taxes	Corporate and Personal Income Taxes	Other State Revenues (Including PILOT)	Total
Construction Period	\$5,194	\$0	\$94,921	\$0	\$100,115
1	\$2,530	\$1,547	\$21,345	\$5,344	\$30,766
2	\$5,763	\$1,581	\$35,425	\$30,988	\$73,758
3	\$7,625	\$1,873	\$37,294	\$34,753	\$81,545
4	\$7,850	\$1,779	\$38,735	\$38,715	\$87,079
5	\$8,112	\$1,898	\$40,221	\$42,884	\$93,115
6	\$8,350	\$1,976	\$41,016	\$47,268	\$98,610
7	\$8,697	\$1,953	\$43,538	\$50,281	\$104,468
8	\$8,985	\$1,876	\$45,167	\$51,789	\$107,817
9	\$9,281	\$1,926	\$46,845	\$53,343	\$111,395
10	\$9,585	\$1,977	\$48,574	\$54,943	\$115,080
Total	\$81,972	\$18,387	\$493,082	\$410,308	\$1,003,749

Costs:

Year	Property Taxes Abated	Incentives	Taxes Abated & Incentives	State Costs for the firm and Services for New Residents	Cost of Educating New Students	Total
Construction Period	\$0	\$0	\$0	\$0	\$0	\$0
1	\$1,500	\$0	\$1,500	\$2,200	\$0	\$3,700
2	\$1,388	\$0	\$1,388	\$9,780	\$14,031	\$25,199
3	\$1,276	\$0	\$1,276	\$11,240	\$14,452	\$26,968
4	\$1,164	\$0	\$1,164	\$12,780	\$14,688	\$28,830
5	\$1,053	\$0	\$1,053	\$14,401	\$15,332	\$30,787
6	\$943	\$0	\$943	\$16,108	\$15,792	\$32,843
7	\$833	\$0	\$833	\$17,248	\$16,266	\$34,347
8	\$723	\$0	\$723	\$17,766	\$16,754	\$35,242
9	\$738	\$0	\$738	\$18,299	\$17,256	\$36,293
10	\$754	\$0	\$754	\$18,848	\$17,774	\$37,375
Total	\$10,371	\$0	\$10,371	\$138,670	\$142,543	\$291,585

Net Benefits (or Costs)

Year	Public Benefits	Public Costs, Property Taxes Abated and Incentives	Net Benefits or (Costs)	Present Value of Net Benefits	Present Value of taxes abated and incentives
Construction Period	\$100,115	\$0	\$100,115	\$94,896	\$0
1	\$30,766	\$3,700	\$27,066	\$25,655	\$1,422
2	\$73,758	\$25,199	\$48,559	\$43,628	\$1,247
3	\$81,545	\$26,968	\$54,577	\$46,478	\$1,087
4	\$87,079	\$28,830	\$58,249	\$47,019	\$940
5	\$93,115	\$30,787	\$62,328	\$47,690	\$806
6	\$98,610	\$32,843	\$65,767	\$47,697	\$684
7	\$104,468	\$34,347	\$70,121	\$48,204	\$572
8	\$107,817	\$35,242	\$72,575	\$47,290	\$471
9	\$111,395	\$36,293	\$75,102	\$46,385	\$458
10	\$115,080	\$37,375	\$77,705	\$45,491	\$441
Total	\$1,003,749	\$291,585	\$712,164	\$540,433	\$8,125

Discounted payback period for taxes abated and incentives	1 Year
Compound rate of return over the next ten years on the state's investment of taxes abated and incentives for the firm	13.64%
Benefit/Cost Ratio (Over 10 years).....	3.59 : 1

City of: Atchison

Benefits:					
Year	Sales Taxes	Property Taxes	Utilities and Utility Franchise Fees	Other Municipal Revenues (Including PILOT)	Total
Construction Period	\$3,000	\$0	\$0	\$5,000	\$8,000
1	\$1,701	\$76,570	\$0	\$18,978	\$97,248
2	\$3,587	\$100,098	\$0	\$42,572	\$146,256
3	\$3,787	\$147,834	\$0	\$43,951	\$195,571
4	\$4,006	\$151,392	\$0	\$45,408	\$200,806
5	\$4,246	\$179,284	\$0	\$46,947	\$230,478
6	\$4,508	\$200,451	\$0	\$48,573	\$253,532
7	\$6,153	\$222,773	\$0	\$76,887	\$305,814
8	\$8,169	\$263,934	\$0	\$106,926	\$379,029
9	\$10,209	\$326,300	\$0	\$138,737	\$475,245
10	\$10,736	\$392,172	\$0	\$143,352	\$546,259
Total	\$60,101	\$2,060,807	\$0	\$717,331	\$2,838,239

Costs:					
Year	Property Taxes Abated	Incentives	Taxes Abated & Incentives	City Costs for the firm and Municipal Services for New Residents	Total Costs, Taxes Abated & Incentives
Construction Period	\$0	\$0	\$0	\$0	\$0
1	\$69,401	\$0	\$69,401	\$8,790	\$78,191
2	\$70,562	\$0	\$70,562	\$26,144	\$96,706
3	\$71,781	\$0	\$71,781	\$26,928	\$98,709
4	\$73,058	\$0	\$73,058	\$27,736	\$100,793
5	\$74,395	\$0	\$74,395	\$28,568	\$102,963
6	\$75,794	\$0	\$75,794	\$29,425	\$105,218
7	\$77,256	\$0	\$77,256	\$50,120	\$127,376
8	\$78,785	\$0	\$78,785	\$72,030	\$150,815
9	\$81,110	\$0	\$81,110	\$95,210	\$176,320
10	\$83,505	\$0	\$83,505	\$98,066	\$181,571
Total	\$755,647	\$0	\$755,647	\$463,016	\$1,218,662

Net Benefits (or Costs)					
Year	Public Benefits	Public Costs, Property Taxes Abated and Incentives	Net Benefits or (Costs)	Present Value of Net Benefits	Present Value of taxes abated and incentives
Construction Period	\$8,000	\$0	\$8,000	\$8,000	\$0
1	\$97,248	\$78,191	\$19,058	\$19,058	\$65,783
2	\$146,256	\$96,706	\$49,550	\$44,518	\$63,397
3	\$195,571	\$98,709	\$96,863	\$82,490	\$61,130
4	\$200,808	\$100,793	\$100,013	\$80,732	\$58,973
5	\$230,478	\$102,963	\$127,515	\$97,566	\$56,922
6	\$253,532	\$105,218	\$148,314	\$107,564	\$54,969
7	\$305,814	\$127,376	\$178,438	\$122,665	\$53,109
8	\$379,029	\$150,815	\$228,214	\$148,704	\$51,336
9	\$475,245	\$176,320	\$298,925	\$184,625	\$50,096
10	\$546,259	\$181,571	\$364,688	\$213,500	\$48,887
Total	\$2,838,239	\$1,218,662	\$1,619,577	\$1,109,421	\$564,601

Discounted payback period for taxes abated and incentives	5 Years
Compound rate of return over the next ten years on the city's investment of taxes abated and incentives for the firm	8.48%
Benefit/Cost Ratio (Over 10 Years).....	2.26 : 1

State of Kansas

Benefits:

Year	Sales Taxes	Property Taxes	Corporate and Personal Income Taxes	Other State Revenues (Including PILOT)	Total
Construction Period	\$15,900	\$0	\$972,598	\$0	\$988,498
1	\$11,649	\$2,251	\$155,550	\$2,672	\$172,122
2	\$27,117	\$2,942	\$428,105	\$173,285	\$631,449
3	\$28,307	\$4,345	\$446,843	\$178,484	\$657,979
4	\$29,581	\$4,450	\$466,313	\$183,838	\$684,183
5	\$30,943	\$5,270	\$486,554	\$189,353	\$712,120
6	\$32,396	\$5,892	\$507,607	\$195,034	\$740,929
7	\$45,350	\$6,548	\$713,263	\$333,745	\$1,098,906
8	\$61,256	\$7,758	\$987,519	\$480,603	\$1,537,136
9	\$77,240	\$9,591	\$1,262,166	\$635,972	\$1,984,969
10	\$80,368	\$11,528	\$1,315,830	\$655,051	\$2,062,777
Total	\$440,107	\$60,576	\$7,742,348	\$3,028,037	\$11,271,067

Costs:

Year	Property Taxes Abated	Incentives	Taxes Abated & Incentives	State Costs for the firm and Services for New Residents	Cost of Educating New Students	Total
Construction Period	\$0	\$0	\$0	\$0	\$0	\$0
1	\$2,040	\$0	\$2,040	\$12,286	\$64,969	\$79,295
2	\$2,074	\$0	\$2,074	\$36,831	\$200,753	\$239,658
3	\$2,110	\$0	\$2,110	\$37,936	\$208,776	\$246,821
4	\$2,147	\$0	\$2,147	\$39,074	\$212,979	\$254,200
5	\$2,187	\$0	\$2,187	\$40,246	\$219,368	\$261,801
6	\$2,228	\$0	\$2,228	\$41,453	\$225,949	\$269,630
7	\$2,271	\$0	\$2,271	\$70,724	\$387,880	\$460,874
8	\$2,316	\$0	\$2,316	\$101,713	\$559,322	\$663,351
9	\$2,384	\$0	\$2,384	\$134,498	\$740,703	\$877,585
10	\$2,455	\$0	\$2,455	\$138,533	\$762,924	\$903,911
Total	\$22,212	\$0	\$22,212	\$653,293	\$3,581,621	\$4,257,126

Net Benefits (or Costs)

Year	Public Benefits	Public Costs, Property Taxes Abated and Incentives	Net Benefits or (Costs)	Present Value of Net Benefits	Present Value of taxes abated and incentives
Construction Period	\$988,498	\$0	\$988,498	\$936,964	\$0
1	\$172,122	\$79,295	\$92,827	\$87,988	\$1,934
2	\$631,449	\$239,658	\$391,791	\$352,006	\$1,864
3	\$657,979	\$246,821	\$411,158	\$350,147	\$1,797
4	\$684,183	\$254,200	\$429,982	\$347,089	\$1,733
5	\$712,120	\$261,801	\$450,319	\$344,555	\$1,673
6	\$740,929	\$269,630	\$471,299	\$341,808	\$1,616
7	\$1,098,906	\$460,874	\$638,032	\$438,607	\$1,561
8	\$1,537,136	\$663,351	\$873,785	\$569,357	\$1,509
9	\$1,984,969	\$877,585	\$1,107,384	\$683,953	\$1,473
10	\$2,062,777	\$903,911	\$1,158,866	\$678,436	\$1,437
Total	\$11,271,067	\$4,257,126	\$7,013,941	\$5,130,909	\$16,596

Discounted payback period for taxes abated and incentives	1 Year
Compound rate of return over the next ten years on the state's investment of taxes abated and incentives for the firm	10.74%
Benefit/Cost Ratio (Over 10 years).....	2.77 : 1

	Population	Percent	Population LAVTR	Assessed Value	Percent	Value LAVTR
Allen	13,949	0.51%	89,492	79,488,947	0.30%	27,977
Anderson	8,191	0.30%	52,551	67,034,996	0.25%	23,594
Atchison	16,848	0.62%	108,091	114,078,574	0.42%	40,152
Barber	4,999	0.18%	32,072	73,225,639	0.27%	25,773
Barton	27,367	1.00%	175,577	196,623,885	0.73%	69,205
Bourbon	15,066	0.55%	96,658	84,953,824	0.32%	29,901
Brown	10,362	0.38%	66,479	82,094,070	0.31%	28,894
Butler	61,828	2.26%	396,666	441,998,615	1.65%	155,568
Chase	3,068	0.11%	19,683	38,675,768	0.14%	13,613
Chautauqua	4,178	0.15%	26,805	23,937,357	0.09%	8,425
Cherokee	21,950	0.80%	140,823	131,174,257	0.49%	46,169
Cheyenne	2,979	0.11%	19,112	40,501,431	0.15%	14,255
Clark	2,343	0.09%	15,032	37,917,371	0.14%	13,346
Clay	8,597	0.31%	55,155	62,171,778	0.23%	21,882
Cloud	9,779	0.36%	62,739	68,626,116	0.26%	24,154
coffey	8,759	0.32%	56,195	455,842,283	1.70%	160,441
Comanche	1,903	0.07%	12,209	42,159,476	0.16%	14,839
Cowley	35,772	1.31%	229,500	204,004,662	0.76%	71,803
Crawford	38,060	1.39%	244,179	219,819,386	0.82%	77,369
Decatur	3,274	0.12%	21,005	31,715,450	0.12%	11,163
Dickinson	19,132	0.70%	122,744	134,700,485	0.50%	47,410
Doniphan	8,062	0.29%	51,723	65,515,538	0.24%	23,059
Douglas	102,786	3.76%	659,438	1,037,696,180	3.86%	365,233
Edwards	3,308	0.12%	21,223	43,639,549	0.16%	15,360
Elk	3,117	0.11%	19,998	22,581,705	0.08%	7,948
Ellis	27,060	0.99%	173,607	270,807,578	1.01%	95,315
Ellsworth	6,350	0.23%	40,739	54,913,571	0.20%	19,328
Finney	39,271	1.44%	251,949	470,512,179	1.75%	165,604
Ford	33,278	1.22%	213,500	219,946,113	0.82%	77,413
Frnaklin	26,049	0.95%	167,121	177,650,848	0.66%	62,527
Geary	25,111	0.92%	161,103	13,854,235	0.05%	4,876
Gove	2,845	0.10%	18,252	38,979,781	0.15%	13,720
Graham	2,745	0.10%	17,611	42,259,364	0.16%	14,874
Grant	7,685	0.28%	49,304	345,416,263	1.29%	121,575
Gray	5,980	0.22%	38,366	64,041,925	0.24%	22,541
Greeley	1,415	0.05%	9,078	35,431,811	0.13%	12,471
Greenwood	7,538	0.28%	48,361	57,515,527	0.21%	20,243
Hamilton	2,654	0.10%	17,027	72,648,427	0.27%	25,570
Harper	6,238	0.23%	40,021	60,443,860	0.23%	21,274
Harvey	33,769	1.23%	216,650	219,244,111	0.82%	77,166
Haskell	4,272	0.16%	27,408	212,379,658	0.79%	74,750
Hodgeman	2,089	0.08%	13,402	33,440,574	0.12%	11,770
Jackson	13,169	0.48%	84,488	77,998,743	0.29%	27,453
Jefferson	18,906	0.69%	121,294	131,678,865	0.49%	46,346
Jewell	3,422	0.13%	21,954	35,882,835	0.13%	12,630
Johnson	496,691	18.16%	3,186,591	7,170,310,853	26.71%	2,523,703

Kearny	4,515	0.17%	28,967	286,362,195	1.07%	100,790
Kingman	8,390	0.31%	53,827	97,824,416	0.36%	34,431
Kiowa	3,084	0.11%	19,786	64,410,702	0.24%	22,670
Labette	22,269	0.81%	142,870	111,921,096	0.42%	39,392
Lane	1,950	0.07%	12,511	32,801,724	0.12%	11,545
Leavenworth	72,439	2.65%	464,743	491,118,236	1.83%	172,857
Lincoln	3,416	0.12%	21,916	34,888,396	0.13%	12,280
Linn	9,775	0.36%	62,713	161,787,466	0.60%	56,944
Logan	2,827	0.10%	18,137	40,499,541	0.15%	14,254
Lyon	35,717	1.31%	229,147	218,163,128	0.81%	76,786
Marion	13,010	0.48%	83,467	97,646,856	0.36%	34,368
Marshall	10,402	0.38%	66,736	86,109,471	0.32%	30,308
McPherson	29,413	1.08%	188,703	290,455,618	1.08%	102,230
Meade	4,592	0.17%	29,461	106,413,866	0.40%	37,454
Miami	29,712	1.09%	190,622	313,307,824	1.17%	110,274
Mitchell	6,564	0.24%	42,112	54,093,702	0.20%	19,039
Montgomery	34,975	1.28%	224,387	205,706,380	0.77%	72,402
Morris	5,977	0.22%	38,346	56,391,783	0.21%	19,848
Morton	3,269	0.12%	20,973	160,018,126	0.60%	56,321
Nemaha	10,458	0.38%	67,095	77,114,259	0.29%	27,142
Neosho	16,555	0.61%	106,211	89,926,383	0.33%	31,651
Ness	3,080	0.11%	19,760	53,189,491	0.20%	18,721
norton	5,799	0.21%	37,204	39,807,488	0.15%	14,011
Osage	17,091	0.62%	109,650	118,232,763	0.44%	41,614
Osborne	4,100	0.15%	26,304	35,609,420	0.13%	12,533
Ottawa	6,175	0.23%	39,617	56,636,207	0.21%	19,934
Pawnee	6,795	0.25%	43,594	54,110,624	0.20%	19,045
Phillips	5,583	0.20%	35,819	47,865,995	0.18%	16,847
Pottawatomie	18,871	0.69%	121,070	368,842,391	1.37%	129,820
Pratt	9,417	0.34%	60,416	99,483,573	0.37%	35,015
Rawlins	2,765	0.10%	17,739	31,123,637	0.12%	10,954
Reno	63,676	2.33%	408,522	462,334,743	1.72%	162,726
Republic	5,224	0.19%	33,515	48,059,471	0.18%	16,915
Rice	10,497	0.38%	67,345	100,041,673	0.37%	35,211
Riley	63,069	2.31%	404,628	368,396,038	1.37%	129,663
Rooks	5,386	0.20%	34,555	60,887,283	0.23%	21,430
Rush	3,466	0.13%	22,237	35,386,001	0.13%	12,455
Russell	6,978	0.26%	44,768	67,078,697	0.25%	23,609
Saline	53,943	1.97%	346,079	470,197,690	1.75%	165,493
Scott	4,691	0.17%	30,096	71,727,927	0.27%	25,246
Sedgwich	463,802	16.95%	2,975,587	3,583,856,664	13.35%	1,261,395
Seward	23,237	0.85%	149,080	267,620,682	1.00%	94,193
Shawnee	171,716	6.28%	1,101,668	1,427,520,824	5.32%	502,438
Sheridan	2,614	0.10%	16,770	28,737,229	0.11%	10,115
Sherman	6,218	0.23%	39,892	62,001,706	0.23%	21,822
Smith	4,179	0.15%	26,811	35,998,758	0.13%	12,670
Stafford	4,512	0.16%	28,947	64,285,561	0.24%	22,626
Stanton	2,374	0.09%	15,231	102,902,175	0.38%	36,218
Stevens	5,520	0.20%	35,414	355,036,702	1.32%	124,961
Sumner	25,272	0.92%	162,136	161,163,972	0.60%	56,724

Thomas	7,801	0.29%	50,048	78,959,399	0.29%	27,791
Trego	3,158	0.12%	20,261	37,527,059	0.14%	13,208
Unified Government	156,487	5.72%	1,003,964	1,094,224,364	4.08%	385,129
Wabaunsee	6,938	0.25%	44,512	62,587,452	0.23%	22,029
Wallace	1,579	0.06%	10,130	28,650,993	0.11%	10,084
Washington	6,107	0.22%	39,180	56,394,616	0.21%	19,849
Wichita	2,360	0.09%	15,141	32,157,702	0.12%	11,318
Wilson	9,946	0.36%	63,810	69,865,679	0.26%	24,590
Woodson	3,553	0.13%	22,795	28,210,937	0.11%	9,929
	2,735,502	100.00%	17,550,000	26,849,209,217	100.00%	9,450,000
			17,550,000			9,450,000

Atchison County Share of LAVTR 148,242

City Assessed Val 66,615,593 56.32%
County Assessed Val 118,279,968

City of Atchison Share of LAVTR 83,491



WICHITA

Dale Goter
Government Relations Manager

TESTIMONY

City of Wichita
455 N Main, Wichita, KS. 67202
Wichita Phone: 316.268.4351
dgoter@wichita.gov

**Kansas Senate
Ways and Means Committee
Hearing to Restore the LAVTR Fund
February 8th, 2007**

The City of Wichita supports the restoration of the State's LAVTR Fund as a means of providing property tax relief in our community.

We believe the primary reason for restoration of LAVTR is the same reason the Fund was originally created in 1937. At that time in our history, state and local government leaders recognized the value and importance of a diversified revenue portfolio. It was for that reason that State leaders partnered with local leaders to create a broad base of support and convince Kansas voters of the need for a state sales tax.

One element of that partnership was that, not only would the State of Kansas achieve greater diversification, but local governments also would diversify their revenue portfolio and move away from over-dependence on property tax. That is why, from the outset, the state sales tax included an element of sharing with local governments. Hence the name – "local ad valorem property tax reduction." Indeed, the state sales tax was advocated and ultimately approved by voters largely on the merits of diversifying the revenue structure for *both* state and local governments. That is the genesis of the state sales tax.

One result of recent trends and events at the local government level has been a substantial increase in reliance on taxes levied against property. In Wichita, for example, property taxes in 1988 comprised 26% of the General Fund revenue base. Property taxes comprised 32% of that revenue base in 2005. Furthermore, as property tax reduction incentives have been used to stimulate the business climate, the increased reliance on property taxes has shifted disproportionately to residential property owners. Those property owners paid 22% of the real estate property taxes in 1988, but their share has increased to 40% in 2005.

We respectfully request the State to resurrect that portion of the original intent of the state sales tax and the partnership that advocated for it by restoring the Local Ad Valorem Tax Reduction feature that served the state so well for nearly 70 years. It was good policy then, and it still is.

Senate Ways and Means
2-8-07
Attachment 20



City of Lawrence KANSAS

CITY COMMISSION

MAYOR
MIKE AMYX

COMMISSIONERS
SUE HACK
DAVID M. SCHAUNER
MIKE RUNDLE
DENNIS "BOOG" HIGHBERGER

DAVID L. CORLISS
CITY MANAGER

City Offices
Box 708 66044-0708
TDD 785-832-3205

6 East 6th
785-832-3000
FAX 785-832-3405
www.lawrenceks.org

February 7, 2007

To Members of the Senate Ways and Means Committee,

On behalf of the Lawrence City Commission, I am writing to ask for your support for the reinstatement of the Local Ad Valorem Tax Reduction (LAVTR) dollars pursuant to K.S. A. 79-2959.

The chart below shows how the LAVTR was working to provide tax relief to our local taxpayers. For example, the LAVTR transfer in 2002 represented 1.14 mills of property tax the City did not have to levy from our taxpayers.

Year	LATVR Funds Received	Mill Equivalent
98	\$592,965	1.29
99	\$691,409	1.39
2000	\$723,095	1.33
2001	\$726,140	1.22
2002	\$715,929	1.14

The elimination of the transfer has had the opposite effect of the State's original intent of providing tax relief to the citizens of Kansas. Before the transfer was eliminated in 2002, the General Fund mill levy in Lawrence was 13.258 mills. The City was able to budget for the loss of revenue in 2004 and the City's General Fund mill levy increased to 15.777 mills.

In addition to the elimination of the LAVTR transfer, the elimination of the State Revenue Sharing program and the recent exemption of business machinery and equipment have put pressure on local property tax as a means to generate required revenues.

Cities and counties are sensitive to the State's budget constraints. However, we are also sensitive to the impact that State's decisions have had on our budgets and local taxpayers.

I thank you for your consideration and strongly urge you to reinstate the Local Ad Valorem Tax Reduction transfer, providing property tax relief not only to Lawrence residents but to residents all across Kansas.

Sincerely,

Mike Amyx, Mayor



We are committed to providing excellent city services that enhance the quality of life for the Lawrence community

Senate Ways and Means
2-8-07
Attachment 21



8500 Santa Fe Drive
Overland Park, Kansas 66212
• Fax: 913-895-5003
www.opkansas.org

Testimony Before The
Senate Ways & Means Committee
Regarding the Restoration of Funding for the
Local Ad Valorem Tax Reduction Fund
Submitted by Erik Sartorius

February 8, 2007

The City of Overland Park appreciates the opportunity to appear before the committee and present testimony supporting restoration of funding for the Local Ad Valorem Tax Reduction Fund. As a standing policy, the City of Overland Park supports the reinstatement of state revenue-sharing with cities.

Until Fiscal Year 2003, the state shared a portion of its general fund revenues with municipalities in Kansas. Two funds provided most of this aid. The Local Ad Valorem Tax Reduction Fund and the City & County Revenue Sharing Fund shared revenues with cities and counties via separate formulas. The Local Ad Valorem Tax Reduction Fund, as its name implies, was intended to reduce local governments' reliance on property taxes for funding their budgets. The state's removal of these funds reduced Overland Park's intergovernmental revenues by approximately \$2 million.

Cities and counties across the state of Kansas should not be the funding source for state budget shortfalls. Cutting transfers to local governments merely shifts the burden to municipalities, requiring either a reduction of services or an increase in local property taxes. Further, efforts to restore demand transfers to local government must include all communities and not be limited by arbitrary factors such as an area's economic pull factor.

We are appreciative of the 2006 legislature's recognition of the importance of the LAVTR Fund in the efforts of cities to minimize the use of property taxes. As you will recall, the bill removing property taxes from business machinery and equipment also included a provision to gradually restore LAVTR monies over a period of years. We urge you to honor that legislation as budget priorities are determined in future years, and return to the statutorily-prescribed revenue sharing with cities and counties in a timely manner.

Senate Ways and Means
2-8-07
Attachment 22



KANSAS LEGISLATIVE POLICY GROUP

P.O. Box 555 • Topeka, Kansas 66601 • 785-235-6245 • Fax 785-235-8676

**Testimony of
Bill Oswalt, President
(Bill is a member of the Rice County Commission)
Kansas Legislative Policy Group
Before the Senate Committee on Ways and Means
Regarding LAVTR – Revenue Sharing
February 8, 2007**

Chairman Umbarger and Members of the Committee:

Kansas Legislative Policy Group (KLPG) is pleased to offer testimony regarding Local Ad Valorem Tax Reduction. KLPG represents the interests of more than 30 counties located in western Kansas. We appreciate submitting remarks on this issue, which is of great importance to our member counties. KLPG member counties continue to be gravely concerned about the loss of LAVTR.

In 1965, the current LAVTR formula was placed into statute as part of a compromise where in the old revenue sharing program and the local portion of the cigarette tax were eliminated. In exchange, cities and counties were to receive a portion of state sales and compensating use tax. Beginning in 1991, the State of Kansas capped LAVTR dollars and eventually quit appropriating the funding it altogether in 2003. Since 1991, \$355,645,000 in LAVTR has been taken by the State and not allocated to cities and counties contrary to K. S. A. 79-2959.

*Senate Ways and Means
2-8-07
Attachment 23*

The sharing of state sales and compensating use tax revenues through the Local Ad Valorem Tax Reduction Fund (LAVTRF), and City and County Revenue Sharing Fund (CCRS) and the full allocation of motor carrier property taxes to the Special City and County Highway Fund (SCCHF) all recognize an historic partnership in service provision between the State and counties. The State has not held up its end of the partnership.

Additionally, with the passage last year of the Machinery and Equipment Tax Exemption, counties are now required to do more with even less funding.

Members of the Committee, as elected officials we all face the significant challenges of meeting the needs of our constituents with limited financial resources. To the best of our ability we strive to be good stewards of taxpayer money. Since the forming of the partnership with the State in 1965, our budgets relied on LAVTR dollars. Those much-needed funds were suddenly taken away.

Kansas Legislative Policy Group strongly urges reinstatement of funding for LAVTR for FY 2008 to cities and counties in Kansas, which would benefit local units of government and ultimately all Kansas property tax payers.

Thank you for your time and consideration of this testimony.

CLAY COUNTY

MIKE SPICER
JERRY MAYO
DAVID THURLOW

P.O. BOX 98
CLAY CENTER, KANSAS 67432
(785) 632-5237 FAX (785) 632-5856



OFFICE OF COUNTY COMMISSIONERS

February 5, 2007

Honorable Senator Duane Umbarger
Senate Ways & Means Committee

Re: LAVTRF Hearings

Dear Senator Umbarger & Committee Members:

Clay County is very much in favor of the return of the LAVTRF to Kansas counties. This program was very beneficial to the people of Clay County and was a devastating blow to those same people when it was discontinued.

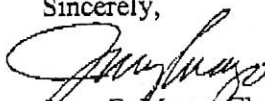
When the funding was eliminated, Clay County lost over \$400,000 from our Road and Bridge budget and over \$150,000 from our General Fund budget. This loss amounted to over \$550,000 which was around 8% of our total budget and was a 20% loss to our Road and Bridge budget. This was a revenue loss that we were unable to replace quickly and consequently services were pared back to our residents.

While the move on the part of the state to eliminate the LAVTRF funding enabled the state to avoid a tax increase, it forced the counties to increase taxes. It has been a constant struggle to maintain the continuation of services since the elimination of the LAVTRF funding.

As Commissioners of Clay County we would ask you to act favorably on the return of the LAVTRF to the counties and give property tax relief to our residents.

Thank you for your time and anticipated favorable action.

Sincerely,


Jerry F. Mayo, Chairman

"Providing dedicated, responsible and efficient service while promoting growth in Clay County with integrity and vision."

Senate Ways and Means
2-8-07
Attachment 24