Approved: 3/4/09
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 10:30 a.m. on February 26, 2009, in Room 535-N of the Capitol.

All members were present.

Committee staff present:
Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Corey Carnahan, Kansas Legislative Research Department
Chris Courtwright, Kansas Legislative Research Department
Mary Jane Brueck, Committee Assistant

Conferees appearing before the committee:
Dotty Smith, City Commissioner, Arkansas City, Kansas
Kim Winn, League of Kansas Municipalities
Randall Allen, Executive Director, Kansas Association of Counties
Sharon Utley, Allen County Treasurer
John Bartolac, Director of Records and Tax Administration for Johnson County, Kansas
Ruth Searight, Pawnee County Clerk and Election Officer
Kelly B. Arnold, Sedgwick County Clerk
Shane J. Shields, Sumner County Clerk and President of Kansas County Officials Association
Linda Buttron, Jefferson County Clerk
Laurel Murdie, Principal Auditor, Legislative Post Audit
Mark Desetti, Kansas National Education Association
Linda Fund, Executive Director of Kansas Association of Community College Trustees
John Masterson, President, Allen County Community College

Others attending:
See attached list.

Chairman Donovan opened the hearing on **SB 264 -- Amending date by which amount of ad valorem tax to be levied is certified to county clerk.** He requested Chris Courtwright, Kansas Legislative Research Department give the committee a briefing on this bill. Primarily, it would change the date that property taxes must be certified to the County Clerk from August 25 to October 1. Dotty Smith, City Commissioner, Arkansas City, Kansas was the first to speak. She is in favor of the date change this bill would enact. (Attachment 1)

Kim Winn, League of Kansas Municipalities told the committee the August 25 date has been state law since the statute was enacted in 1876. She is in favor of changing the date as **SB 264** would do. (Attachment 2)

Randall Allen, Executive Director, Kansas Association of Counties spoke in opposition to this bill. He said at one time a committee was formed by the Kansas Association of Counties and representatives of various cities and counties across the state to address possible changes in budget cycles of local governments. They were not able to agree on dates, and disbanded. (Attachment 3) Sharon Utley, Allen County Treasurer told the committee she does not feel this bill is in the best interest of the tax payer. (Attachment 4) John Bartolac, Director of Records and Tax Administration for Johnson County, Kansas spoke in behalf of the Kansas County Clerks and Election Officials Association in opposition to this bill. (Attachment 5)

Chairman Donovan said he had received e-mail from county clerks as written opposition to this bill. He included information from Ruth Searight, Pawnee County Clerk and Election Officer (Attachment 6) and Kelly B. Arnold, Sedgwick County Clerk (Attachment 7). Other written opposition was submitted by Shane J. Shields, Sumner County Clerk and President of Kansas County Officials Association (Attachment 8) and Linda Buttron, Jefferson County Clerk (Attachment 9)

Chairman Donovan said he would leave it to the committee to decide what to do with this bill. There will not be a vote today. He suggested all parties involved get together once again and work out something. In his seventeen years in the Legislature he has found the best solutions and bills are those worked out by the parties involved..

Chairman Donovan introduced Laurel Murdie, Principal Auditor, Legislative Post Audit to give the committee background information on **SB 266 -- Community colleges; tax levies for operation and maintenance**. The bill was brought about by an audit that looked at the impact of the Higher Education Coordination Act of 1999. The audit committee wanted to introduce this bill as a starting point in the policy discussion about ways to reduce property taxes and improve government efficiency; the 3% rate should be seen as a starting point. (Attachment 10)

Chairman Donovan opened the hearing on **SB – 266.** We had no neutral testimony and no proponents to speak to the bill. He introduced Mark Desetti, from Kansas National Education Association. He said his organization opposes a cap on what can be raised by the community colleges and urged **SB – 266** not be adopted. (Attachment 11)

Linda Fund, Executive Director of Kansas Association of Community College Trustees, asked that local boards be allowed to determine what is appropriate and let the local electorate control what is important to them. (Attachment 12)

John Masterson, President, Allen County Community College gave information to show that a community college can operate frugally, and requested the committee not support this bill. (Attachment 13)

Chairman Donovan asked for approval of the minutes of the February 17, 2009. Sen. Brownlee moved the minutes be approved; Sen. Holland seconded the motion. Motion passed.

The next meeting is scheduled for Wednesday, March 4 for a hearing on **HB 2079 – Sales tax refund on certain purchasers of telecommunications machinery and equipment**. On Thursday, the committee will hear **HB 2172 - Permanent exclusion from sales taxation of certain cash rebates on sales or leases of new motor vehicles**. .

The meeting was adjourned at 11:30 a.m.

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: Thur. Feb 26, 2009

NAME	REPRESENTING
STEVE KEARNEY	KCOA
JOHN A BARTOLAC	KCC & EO
[illegible]	AAMS
Michelle Butler	Capitol Strategies
Leon Allen	Visitor
Randall Allen	Ks. Assoc. of Counties
Sharon K Utley	Allen Co. Treas
LARRY BERG	KACCT
JOHN MASTERSON	Allen Co. Comm. College
Linda Fund	KACCT
Mark Desetti	KNEA
Laurel Murdie	Legislative Post Audit
Leo Hafner	" " "
Jason Darland	Pinegar & Smith
Derek Hein	Hein Law Firm
Anna Allen visitor	Dodge City, KS
Leona Warner-visitor	Chanute, Ks
ERIK SARTORIUS	City of OVERLAND PARK
Kelly DiRocco	LGR

Testimony in Support of Proposed SB 264
Thursday, February 26, 2009
10:30 a.m.

Dear Committee Members:

My name is Dotty Smith, City Commissioner of the City of Arkansas City, Kansas since April, 2007. I am offering testimony in support of proposed legislation SB264, which would move the budget certification date from August 25 to October 1 of each calendar year. My reasons are set forth below:

Whether prepared by a City Manager, City Administrator or City Clerk, budget preparation for the next calendar year usually begins early in each preceding calendar year. Many cities have started preliminary work on the 2010 budget by now, but only have un-audited expenditure reports from 2008 from which to work. Many cities do not have an audit in their hands until late April or early May at the earliest, and many rely on the audit to confirm the previous year's expenses and revenues and establish correct carryover balances for the following year. County Clerks currently are not required to notify the City Clerks of their new valuation until July 1, and ad valorem tax rates cannot be calculated until those valuations are received.

As of each July 1, no more than five or six months of actual year-to-date current expenses are known from which to judge trends in expenses or among funds, in comparison to previous years. That leaves very little time in which to finalize the budget for the following year, and comply with the latest date of approximately August 5 on which to publish a notice of hearing for the next year's budget. This time constraint forces cities to actually have most of their budget done by July 1 or shortly thereafter, leaving only the step of plugging in the ad valorem tax rates and hoping for the best next year. The biggest unknown is what the final valuation will be in November when the County Clerk certifies the budget and determines the final assessed valuation, which can go up or down based on a number of variables of which this committee may already be aware.

Senate Assessment & Taxation
2/26/09
Attachment 1

Moving the budget certification date to October 1 would allow cities to examine no less than six months and possibly eight months of actual expenditures in calculating projected carryover from current revenue vs. expenditure comparisons, which would be better indicators than the first five months of expenses. This extended process could possibly lead to more accuracy in the budgeting process and more likely provide a better indicator of what ad valorem rate is needed.

The current process lends itself to overstating by too large of a margin what is needed simply because you are estimating expenses and revenues eighteen (18) months into the future based on a five or six month scenario rather than a six to eight month scenario. The current economic climate that cities are facing, with no new personal property growth from business equipment and machinery coming on to the tax rolls, and existing personal property valuations declining annually, makes this request all the more relevant. In addition, this would reduce the time between budget adoption and implementation from five to three months.

In most cities, elections are held every two years, which means a city could have three to five new Commissioners that would take office in mid-April. In some instances, this would mean a majority of the Commission is immediately faced with reviewing and approving the upcoming year's budget with very little municipal government finance experience.

Cities, for too long, have carried the burden of having to be the ones to raise taxes at the local level, while state officials have the opportunity to proclaim that they balanced the State budget without raising taxes. With the loss of CCRS and LAVTR funds since 2002 and 2003, it is getting more difficult to find additional revenue to keep up with growing demands and expenses. Cities are asking for relief in this non-financial way. The legislation may be opposed by the KAC, and some compromise may be needed, but a longer calendar period other than August 25 in which to certify the budget to the County Clerk would help many cities to formulate a proper budget and would, in my opinion, be in the best interests of our local tax paying citizenry.

1-2

300 SW 8th Avenue
Topeka, Kansas 66603-3912
Phone: (785) 354-9565
Fax: (785) 354-4186

LKM
League of Kansas Municipalities

To: Senate Committee on Assessment & Taxation
From: Kim Winn, Director of Policy Development & Communications
Date: February 26, 2009
Re: Support for SB 264

On behalf of the member cities of the League of Kansas Municipalities (LKM), thank you for the opportunity to appear today in support of SB 264. LKM has long had a policy position in favor of altering the date that property taxes must be certified to the county clerk, and for this reason, we wholeheartedly support SB 264.

The certification date of August 25th has been in state law since the statute itself was first enacted in 1876. Certainly, technology and efficiency in government has developed since 1876. We would argue that the proliferation of e-government services and modern technology should dictate a change in this antiquated statue.

Moving the date back to October 1 would enable local governments to be more accurate throughout their budgeting process. As government at all levels struggles to find that difficult balance between services and taxes, we believe that good government requires that we rely on the most up-to-date, accurate information possible when making critical decisions about the burden that local taxpayers will have to bear.

We believe that SB 264 is a common sense piece of legislation whose time has certainly come. We would be happy to work with the Committee to provide any information or assistance that we can. And, I would be happy to stand for questions at the appropriate time.

Senate Assessment & Taxation
2/26/09
Attachment 2

KANSAS
ASSOCIATION OF
COUNTIES

Testimony concerning SB 264
Change in Budget Calendar
Senate Assessment and Taxation Committee
February 26, 2009
Presented by Randall Allen, Executive Director
Kansas Association of Counties

Chairman Donovan and members of the Committee, thank you for the opportunity to present testimony ***in opposition to*** SB 264. This bill would change the date by which the governing body of any local government (city, township, board of education, special district, or the county government itself) is required to submit its annual budget and certify its property tax levies for the ensuing budget year to the county clerk, from August 25 to October 1.

Several years ago, the Association and the League of Kansas Municipalities, along with representatives of various cities and counties across the state, held several work sessions for the purpose of discussing possible changes to the budget cycle of local government. While the budgets are required to be certified approximately four months and five days prior to the onset of the fiscal year, there is reason for this calendar. The most important reason is that the same offices that have significant responsibility for reviewing the budgets and applying the property valuation of all taxing jurisdictions over the final assessed valuation of each jurisdiction to set the mill levy rates, ***also have*** responsibility for other important governmental functions, including the elections process. In 101 of the 105 counties, the county clerk is also the county election official. In even-numbered years, the county clerk and his or her staff are very busy in the summer and fall with voter registration, pre-election planning and advance voting for both the primary and general elections, and the myriad of details involved in conducting elections. In even-numbered years particularly, county clerks work budget review into the work flow as best they can. Very few mistakes are made on an annual basis, but we know from human experience that shortening the review process will lead to additional and potentially more serious errors. While no one intends to make errors, we are all human and errors are more likely to occur when processes are hurried.

The process of certifying property tax levies depends on the county appraiser (and the Kansas Department of Revenue, for state-assessed utilities) completing the appraisal work so the tax roll can be finalized; the county clerk completing their work in reviewing all local government budgets and setting the mill levy rates so that property taxes are properly allocated to generate budgeted revenue; and the county treasurers in preparing tax statements. The entire process is dependent on a whole team of offices and persons to work together. If one date and process change, all dates must be adjusted. In short, the August 25 date cannot be viewed in isolation from all of the remaining dates in the financial calendar in county courthouses across Kansas. We respectfully urge the committee to kill this bill. Thank you for the opportunity to present our comments.

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 Melissa Wangemann by calling (785) 272-2585.

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

Senate Assessment & Taxation
2/26/09
Attachment 3

TESTIMONY PRESENTED BY SHARON K UTLEY
ALLEN COUNTY TREASURER
AGAINST SB264
SENATE COMMITTEE ON ASSESSMENT AND TAXATION

Good morning Chair Donovan and other committee members. I am Sharon Utley, Allen County Treasurer, and am representing the Kansas County Treasurer's Association. Thank you for allowing me to present my testimony against SB264.

I have worked in the Allen County treasurer's office for 25 years, having been the treasurer since 2001. I feel that it is my responsibility to do the best I can for the taxpayer. I do not feel this bill is in the best interest of the taxpayer.

At present time, all taxing entities must certify to the County Clerk by Aug. 25. Even that date makes it hard to get the tax statements printed and mailed by the first part of November, giving taxpayers roughly 1 ½ months to pay their taxes. If the certification date is moved to Oct. 1, that would push our getting the tax statements out by approximately 36 days, which would make it Dec 1 to Dec. 15 before statements were mailed. That is too late to send a notice that has to have at least the first half paid by Dec. 20. In the case of taxpayers living out of state, it is possible the statement would not even reach the taxpayer by Dec. 20.

In Allen County, we have some taxpayers that leave the state around Nov. 1, and want to pay the taxes before they leave. Then we have other taxpayers that need more time than a few days to pay. It would be very hard for the mortgage companies to pay on time if they do not receive the statements until December.

I realize the approval of this bill would make it possible for the taxing entities to have more time for their certification to the clerks, but please look at all the other deadline problems it would create. An example would be: the taxpayer doesn't get his statement until the middle of Dec. (also the mortgage companies), so the taxes are not paid until January. Our January distribution of tax monies is for taxes paid through December 31. Therefore, the taxing entities would not receive the larger amount of tax money they normally receive in January until the March distribution.

Thank you again for allowing me to testify.

Are there any questions?

Sharon K Utley
Allen County Treasurer

Senate Assessment & Taxation
2/26/09
Attachment 4

To: Senator Les Donovan, Chairperson
And the Senate Committee on Assessment and Taxation

Re: Senate Bill 264

Good Morning,

I am John A. Bartolac, Director of Records and Tax Administration for Johnson County, Kansas. I serve as both the County Clerk and Register of Deeds and I am speaking on behalf of the Kansas County Clerks and Election Officials Association. I am here in opposition to Senate Bill 264, which seeks to adjust the budget certification submission date from taxing authorities to the County Clerks for tax roll processing from August 25 to October 1. It is the intent and duty of each County Clerk to review each submitted budget and accurately determine the mill levy and calculate the correct taxes for each real estate, personal property and state assessed record.

Changing the budget certification date from August 25 to October 1 would create an unreasonable expectation of compliance by County Clerks to complete their statutory responsibility regarding mill levy calculations and certifying a completed tax roll by November 1. It reduces the time allowed for complete processing from 48 working days to 21.

Budget forms and instructions are sent to each county clerk and all taxing districts in the state for use in preparing the annual budget. The forms are complex and detailed in nature to allow for the various funding mechanisms allowed by law.

Upon receipt by the County Clerk, due diligence is required to review and verify all aspects of the submitted budget. Besides the routine calculation review, some funds have limits that must be confirmed as well. This review also includes reviewing for proof of publication and board/council hearing action. Upon a successful review, mill levies for each district are calculated, alignments to the appropriate tax units are made and the tax roll is calculated and verified.

If an error is found in the review, the taxing district is notified to correct. The County Clerk has no authority to change a submitted budget. In the event the budget must be modified, the budget must be published again and board/council hearing action must be taken again. Ten days must elapse between date of publication and any hearing to allow for public review and comment on the budget.

Once all budgets are reviewed, the tax districts are aligned by tax unit, which is a grouping of tax units in the same area. Mill levy calculations are then determined and taxes are calculated. The full tax roll, including the addition of special assessments and other fees, must be completed and ready for collection by November 1 (K.S.A. 79-1804). The tax calculation process also includes verification of the calculated taxes before certifying to the Treasurer for collection.

Senate Assessment & Taxation
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Attachment 5

In Johnson County, we receive 69 individual budgets, including budgets from the county, cities, drainage districts, school districts, cemetery districts, townships, fire districts and recreation commission districts. Many counties, regardless of their population, also receive about this many budgets annually. Jefferson County, for example, receives 80 budgets. The 69 budgets in Johnson County have to be allocated into 269 taxing units.

There are a variety of counties that have taxing districts that cross county boundary lines. In Johnson County, for example, we have 4 city boundaries, 3 school district boundaries, 1 drainage district boundary and 2 recreation commission boundary that cross over into 4 other counties. As part of the levy process, each county must complete their processing to a point and then wait for additional information from their neighboring county to complete the levy calculation. The final levies and tax roll cannot be certified for collection until all levy processing is completed.

Additionally, some counties have an overall shared levy (Northeast Kansas Library). Each county has to wait on the others to complete their own county processing before they can calculate the shared levy.

It is critical to take into consideration the staffing and other duties of the Clerk. In most counties, the Clerk is responsible for tax roll maintenance, county payroll, accounts payable, issuing hunting and fishing licenses, serving as secretary to the Board of County Commissioners and serving as the Election Officer. Many Clerks have a staff of 3 to 5 people. All duties are equally important in county business.

As mentioned earlier, a budget error or fund levy error may delay the review time by 2 weeks or more. If the budget is re-published, there is a ten day waiting period for taxpayer comments before the governing body can act again on approving the budget. This delay can be compounded by limited publishing dates.

While I don't believe the intent of those seeking to change this statue is to shortchange the Clerks from performing their statutory duties regarding the budget review, mill levy and tax calculation process and tax roll certification to the Treasurer, the reduction in processing time will risk accurate completion of all processes by November 1. This risk can result in illegal levies and under or over charged taxes. These issues will directly affect the taxpayer, county and all taxing districts. The current statute, K.S.A. 79-1801, was written in consideration of the issues discussed above.

We are asking at this time that you strongly oppose this bill in any fashion. Thank you for your time and attention on this matter.

Sincerely,

John A. Bartolac
Director of Records and Tax Administration
Johnson County, Kansas
john.bartolac@jocogov.org 913.715.0780

From: <PN_County_Clerk@wan.kdor.state.ks.us>
To: <donovan@senate.state.ks.us>, <lynn@senate.state.ks.us>, <schmidt@senate...
CC: <holmesm@house.state.ks.us>, <powelll@house.state.ks.us>, <swanson@house...
Date: 2/24/2009 2:38 PM
Subject: SB 264

Please do NOT support SB264.

As Pawnee County Clerk and Election Officer, by delaying the filing of tax district budgets until October 1st, of each year, would create an undue hardship on my office, as well as, all other County Clerk's Offices in the State of Kansas.

1. The cut off my office gives to the County Appraiser and others, for any changes to the tax roll is October 1st, of each year. We then obtain final assessed values, and set the mill levy. If there is a joint district (such as a school district is in two county's), we must work with that county until we have the necessary information to finalize the assessed value and set the mill levy.

2. Then we begin the process of setting the mill levy, balancing and verifying our reports for accuracy, and that the mill levy set covers the amount of necessary taxes.

3. Once we have achieved reports that are balanced and verified, we begin the process of building tax roll and tax statements.

4. This is all completed after we have reviewed budgets for fund limits, compliance with applicable statutes, and notification to the taxing district if there are any problems or concerns with their budget and/or publications.

5. If every taxing district (we have 39) would have their budgets filed in my office by October 1st, we would still be hard pressed to review each of them for fund limits and compliance with applicable statutes, and notify them if there are any problems, and have everything completed by November 1st.

6. If there is a November General Election (which is every other year), and you have budgets not being filed with us until October 1st, Please change the date for elections until January or February, so we may process and complete Tax Roll, Tax Statements and State Abstract in November, and then Start Year End in December and Start Up of New Year Duties and Responsibilities in January.

Therefore, due to the above reasons, please do NOT support SB264.

Thank you in advance for your consideration of this request.

Ruth Searight
Pawnee County Clerk and Election Officer

Senate Assessment & Taxation
2/26/09
Attachment 6

Les Donovan - Senate Bill 264

From:	"Arnold, Kelly B." <karnold@sedgwick.gov>
To:	<Les.Donovan@senate.ks.gov>
Date:	2/24/2009 4:03 PM
Subject:	Senate Bill 264
Attachments:	Effects of SB 264 on County Clerks.doc

Senator Donovan,

I urge you to not support Senate Bill 264. The effects of this bill on County Clerk's office and also the Treasurer's office would be disaster to County Government.

Thank you for your time

Kelly

Kelly B. Arnold
Sedgwick County Clerk
525 N. Main, Suite 211
Wichita, KS 67203-3733
316-660-9222 Phone
316-383-7961 Fax
karnold@sedgwick.gov

Senate Assessment & Taxation
2/26/09
Attachment 7

Effects of SB 264 on County Clerks

- ☑ **Duties-**Responsibility of County Clerk to review budgets, determine mill levy, and calculate correct taxes.
- ☑ **Complex Process-**Process is complex and requires extensive auditing and calculations.
- ☑ **Reduction in Time-**Reduces time to accurately complete these processes from 48 working days to 21 working days.
- ☑ **Complex Process-**Budget review includes verification of fund limits, compliance with applicable statutes, alignment with tax units, and calculation of tax roll
- ☑ **Mistakes-**A mistake in any of these areas leads to possible tax error resulting in problems for the affected tax payer
- ☑ **Errors-**When errors are found, the taxing district must correct the budget which includes following statutes requiring open meetings and publication.
- ☑ **Reduction in Time-**Ten days must elapse between date of publication and hearing for public participation.
- ☑ **Reduction in Time-**The full tax roll, which is prepared after tax units and mill levies are verified, is due November 1.
- ☑ **Involvement of other officials-**Before the November 1 deadline, the County Treasurer must verify collected taxes.
- ☑ **Reduction in Time-**In order to meet the November deadline and allow for correction of errors and verification by the Treasurer, a County Clerk would have to complete her/his statutorily assigned role within one week of receiving budgets (if all budgets are turned in on time)
- ☑ **Number of budgets/taxing units-**Talk about the number of budgets and taxing units involved with your county
- ☑ **Shared taxing districts-**Shared taxing districts must wait until all County Clerks have completed the process to begin setting the mill levy for that district
- ☑ **Stress on staffing-**Discuss the number of personnel on your staff and other duties, emphasize the even year elections
- ☑ **Severe Ramifications-**Creates the risk of illegal levies and incorrect tax statements

KCOA
Kansas County Officials Association

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Web: www.kscountyofficials.org

Testimony regarding Senate Bill 264

Provided by: Shane J. Shields, Sumner County Clerk
President, Kansas County Officials Association

Senator Les Donovan, Chairperson, and Honorable Members of the Assessment and Taxation Committee:

Thank you for the opportunity to provide this written testimony regarding Senate Bill 264. On behalf of the Kansas County Officials Association I would like to express our concern and opposition to Senate Bill 264, which seeks to change the date that taxing subdivisions shall certify the amount of ad valorem tax to be levied from August 25 to October 1. The certification is accomplished by the taxing subdivision submitting their certified budget. Delaying the certification submission date creates significant concern and the potential for problems in the timely and accurate completion of the tax certification process.

A significant concern with the date change is that the substantially shortened period of time available for processing from forty-eight days to twenty-one days is not sufficient to complete statutory responsibilities. The County Clerk is required to review and verify all aspects of the budget submitted. This includes a review of calculations, checking fund levy limits, proof of publication, and governing body hearing action. A successful review results in the mill levies being calculated. Once calculated, the levies are then aligned to the appropriate tax units and the overall tax roll is calculated and verified. By statute, the full tax roll must be completed by November 1. The process also includes verification of the calculated taxes before certifying to the Treasurer by November 1 for collection. If an error is found in the review of a submitted budget, corrective action adds time to the process.

If an error is found, the taxing subdivision is notified to correct it. If the budget must be modified, the budget must be published again and governing body hearing action must be taken again. Ten days must elapse between the publication date of the hearing to allow for public review and comment. The publication timeline is also impacted by what official publication is available to the taxing subdivision. The official publication source available may only be on a weekly basis.

The loss of twenty-seven days to accomplish the process explained to this point may not seem to be a major issue. That might be true if only a handful of taxing subdivisions were submitting budgets for review. In most instances, that is not the case. In my county of Sumner there are ninety-three taxing subdivisions. Seventy-six of those submit budgets to my office. The remaining seventeen are joint districts that submit their budget to the other adjoining county. In those situations the adjoining county, as the home county, receives the budget for review and performs the tax calculation process. Valuation information has to be calculated and shared between counties with joint districts in order for the tax calculation process to be completed. Final tax levies and the complete tax roll cannot be certified for collection, which is required by November 1, until all levy processing is completed. To this point, I have only discussed the calculation process.

Once the calculation process is completed the tax roll is certified by the County Clerk to the County Treasurer for collection. The printing of tax statements and preparation of the statements for mailing takes some additional time. For my county of Sumner, around 17,000 tax statements are printed and mailed.

In closing, we believe that reducing the time allowed for complete processing and preparation from 48 working days to 21 is unreasonable and will create a significant risk of error in the accurate completion of all necessary processes by November 1, errors that could directly impact the taxpayer, county and all taxing subdivisions. The Kansas County Officials Association respectfully asks that you strongly oppose this bill. Thank you.

Sincerely,

Shane J. Shields

February 26, 2009

Honorable Senator Les Donovan
Chairman – Senate Committee on Taxation and Assessment
and committee members

RE: S.B. 264-*Written testimony only*

My name is Linda Buttron. I am the Jefferson County Clerk and Election Officer and also the Vice-President of the Kansas County Clerk's and Election Officials Association. I wish to submit testimony in opposition to S.B. 264.

Jefferson County is the county just east of Topeka. We have a population of approximately 19,000. Every year I receive certification of 80 budgets from cities, schools, cemeteries, fire districts townships, watersheds, extension districts, drainage districts and others. These budgets must be checked for accuracy, checked to make sure the published expenditures are the same as the certified expenditures, checked to make sure all the pages are included, checked to make sure that the fund pages match the certification page. All these things must be verified as well as the other steps necessary to complete the tax process and be ready to print tax statements to provide to the Treasurer's office for mailing. Moving the deadline to file budgets to October 1 shrinks by 34 days the amount of time in which to do this. Often when checking budgets I find that something needs to be corrected. This usually requires that the taxing entity republish their budget and hold another hearing. As per the requirements of KSA 79-1803 I must certify a tax roll to the County Treasurer by November 1. With an October 1 deadline there will ***not*** be time for a school district or city to correct any problems that are found with their budget. It also does not allow time for staff from the Division of Accounts and Reports to review budgets for errors before tax statements are printed.

Most County Clerk's offices have small staffs and usually there is one person getting ready for tax statements as well as preparing for a major election in even years. Changing this law will create an unmanageable time frame in which to complete the tax billing process. I think it is in the best interest of the taxpayers we serve to allow sufficient time to accurately process the budgets and complete the tax process.

Thank you for your time and consideration,

Sincerely,

Linda M. Buttron
Jefferson County Clerk

Senate Assessment & Taxation
2/26/09
Attachment 9

Testimony for the Senate Assessment and Tax Committee on SB 266
Laurel Murdie, Principal Auditor, Legislative Post Audit
February 26, 2009

Mr. Chairman and members of the Committee, thank you for allowing me to appear before you to provide background information on SB 266. This bill addresses an issue raised in our 2008 performance audit, *Community Colleges: Examining Whether There Are Ways to Share Resources to Reduce Costs.*

The audit looked at the impact of the Higher Education Coordination Act of 1999—often referred to as SB 345—which made some sweeping changes in how community colleges were funded. One of the biggest changes was in how and how much State aid community colleges received. Instead of using credit hours to calculate how much colleges would get, they now receive State operating grants.

The main thing to remember about those grants is that the Act called for the grants to increase by 5% each year, and 80% of that increase in funding each year was supposed to be used to provide property tax relief.

Therefore, instead of relying on local property taxes as much as before, the plan was for community colleges to use the increased State aid as a replacement for some of the local property taxes they normally would have needed to cover expenditures.

Our audit specifically looked at whether the Act provided as much property tax relief as anticipated. Here's what we found:

1. **The Act didn't provide as much local property tax relief as anticipated and that was mostly because it wasn't fully funded.** For the time period included in our audit, if the Act had been fully funded, community colleges would have received $751 million and that would have provided about $58 million in local property tax relief. Instead, during this time period (2001 to 2007) community colleges received $595 million, and provided only $25 million in local property tax relief. The main reason community colleges didn't receive all the funding anticipated was because of the general economic downtown after the terrorist attacks of September 11, 2001.

2. **10 community colleges didn't provide all the property tax relief they should have, given the amount of State operating grants they actually received.** In total, these 10 colleges provided $5.1 million less in property tax relief than required by the Act. Some officials told us they didn't because their boards of trustees would have turned around and reinstated the revenues from any property tax "cuts" in order to cover the colleges' estimated expenditures. That's because mill levy revenue is used to cover the remaining expenditures after all other revenue sources have been considered. Some officials cited legislative actions that had reduced their other sources of revenue, including reductions in the motor vehicle tax rates. We also noted some colleges were building up their cash balances; in 2007, 7 colleges had balances totaling 5-8 months' worth of expenditures.

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3. **Given the way the Act is written, there are no assurances that local property tax revenues for community colleges will decrease, even if community colleges comply with the Act.** That's because the Act doesn't place any limits on colleges' expenditures or on the amount of local property tax revenues they can generate. It simply requires community colleges to use 80% of any <u>increased</u> State operating grants funds to reduce the amount of property revenues levied.

   As noted above, however, local property tax levies are computed at the end of the budget-setting process, <u>after</u> the colleges already have estimated their expenditures for the budget year and identified all their other available sources of funding, such as tuition and fees, federal funding, and income from auxiliary enterprises. If community colleges' proposed expenditures increase <u>at a faster rate</u> than their other estimated sources of funding, the Act still allows them to raise whatever they need in local property taxes to cover those remaining expenditures.

To fully meet its intent of reducing property taxes under the Act, we concluded the Legislature would need to consider capping colleges' expenditures or mill levy rates. SB 266, as introduced by the Legislative Post Audit Committee, would cap the mill levy revenues colleges could collect in any year at 3% of the amount of revenues generated by the tax levied in the previous fiscal year.

Under this bill, if a college's budgeted expenditures increased by 5% but its property tax revenues could only increase by 3%, the colleges would have to do the following:

- find ways to increase their other sources of revenue enough to cover the increased level of expenditures
- decrease their estimated expenditure levels so the revenues available to them would cover their estimated costs

Post Audit Committee members indicated at their February 11 meeting that they recognized this was a significant policy change that would need a full debate as to its advantages, disadvantages, and potential consequences, but they wanted to introduce the bill as a starting point in the policy discussion about ways to reduce property taxes and improve government efficiency. They also indicated the 3% rate should be seen as a starting point.

Making public schools great for every child

KANSAS NATIONAL EDUCATION ASSOCIATION / 715 SW 10TH AVENUE / TOPEKA, KANSAS 66612-1686

Mark Desetti, Testimony
Senate Committee on Assessment and Taxation
February 25, 2009

SB 266

Mr. Chairman, members of the committee, thank you for the opportunity to share our thoughts on **SB 266.**

Community colleges get funding based basically on state aid and tuition and fees. They then have the ability to levy a property tax which would make up the difference between their costs and the amount raised by their other two revenue sources.

SB 266 would put a cap on how much revenue that local property tax levy could increase from one year to the next. This limit would be a 3% revenue increase maximum over the previous year.

While this might under normal circumstances meet a CPI-U increase from one year to the next, this proposal is troublesome for a number of reasons.

First, if this is based on some idea that the CPI-U is generally in the neighborhood of 3%, we believe that to be problematic. Education dollars generally do not pay for goods; they are paying for services. And services tend to rise at a more rapid rate than consumer goods – the basis of the CPI-U. Linking increases in education funding to the CPI-U will not cover the increased cost of services. Of course, I am only assuming that 3% was chosen because of it's similarity to the CPI-U generally.

Secondly, there is an assumption underlying the ability of a community college to maintain on this increase that the state funding would have a corresponding or greater increase. Given that the Chairman of the Senate Ways and Means Committee has asked agencies to identify how they would absorb cuts of a minimum of 10% for next year, one wonders how the community colleges could be expected to maintain services if their property tax levy was also to be capped.

Community colleges will be asked to absorb a cut of some amount next year. They will obviously be looking for ways to streamline their operations but they will also need to examine their property tax levies to offset at least a portion of any state cut. If the state were to cut their funding by 10% or more, the capped property tax levy would not allow them to meet those cuts. They would then have to turn to their other source of revenue – student tuition and fees.

The end result would likely be a dramatic increase in student tuition and fees possibly pricing some students out of the system or forcing them to rely more on student loans and increasing their debt burden.

We would point out that in an economic downturn, residents often turn to community colleges for education and job training in order to fit into the new economy. Harming the ability of people to access post secondary education and training would have a detrimental effect on economic development as well as the job opportunities of working Kansans.

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Telephone: (785) 232-8271 FAX: (785) 232-6012

Why might you hear complaints about property taxes?

There is a simple answer to this question. Tax policy in this state for a number of years has so altered the system that we have become overly reliant on the property tax – and the residential property tax in particular. Decisions by the legislature to approve so many individual tax cuts and reductions have pushed local units of government to depend more and more on the only tax over which they have some real control – the property tax.

The plethora of sales tax exemptions has dramatically narrowed the sales tax base. Instead of "broadening the base" as you have so often been advised, you have narrowed it. This simply depresses sales tax collections, a portion of which goes to support local services. Local governments look to property taxes to make up the legislatively-granted exemption.

A host of business tax cuts has had the same effect. The equipment and machinery tax cut is a recent example. Local units of government that utilized their share of that tax had to turn to other tax sources to make up the loss.

Right now the legislature is "holding the line on taxes" but telling local units of government – in particular, schools – to raise local property tax rates. You have been debating bills to increase capital outlay levies, to establish additional "special" capital outlay levies for insurance and utilities, to issue no fund warrants to cover late payments from the state.

Instead of maintaining a balanced tax system, you are adding inches upon inches to one leg of that much lauded three-legged stool.

KNEA has been asking the legislature to modernize the Kansas tax system. For all the talk under the dome about "broadening the tax base," what we have done is to narrow it. If the state were to "broaden the base" – that is, apply a tax on more things – the rates for all taxes might even go down. We could relieve the pressure on residential property taxes. If the sales tax were imposed on services, it might be possible to eliminate it on food as some states have done. There are innumerable ways in which the state could modernize the tax system, provide for stability in revenue collections, and make fairness a hallmark.

We believe that if Kansas were to modernize the tax system – to make it stable as well as fair to both businesses and individuals – the state would have appropriate revenue to fund the whole variety of state services that your constituents depend on and appreciate. And while every revenue system is subject to extreme swings in the economy, those swings can be moderated.

You can appropriately fund K-12 and post secondary education. You can fund needed services for the developmentally and physically disabled. You can provide a comprehensive highway program to help businesses move goods and resources. You can provide for public safety.

Your investment in education – both K-12 and post secondary – is paying off. Kansas is crafting a work force that will be second to none in the nation. I want you to consider the importance of the education system in your overall efforts on behalf of economic development.

We would suggest that decisions that will hamper the ability of our schools, community colleges, vocation-technical institutions, and Regents universities to continue to provide excellent educational opportunities to all Kansans will harm the future work force of our state and will do little to encourage business investment; particularly in the kinds of businesses in the bio-sciences that you have worked so hard to attract.

In closing, we would once again urge the legislature to form a blue ribbon panel of economists, legislators, business representatives, and non-profit representatives to thoroughly examine the Kansas tax system and make recommendations that would make the system capable of providing for quality state services through good and bad economic times and be fair to both businesses and citizens.

In the meantime, please do not adopt **SB 266**.

KANSAS ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES
700 SW Jackson, Suite 1000 • Topeka, KS 66603-3757 • Phone: 785-357-5156 • Fax: 785-357-5157
Linda Fund, Executive Director • E-mail: 1fund@kacct.org

Chairman Donovan and Members of the Committee:

I am Linda Fund, Executive Director of the Kansas Association of Community College Trustees and I am here to testify in opposition to SB 266. Our colleges offer learners of all ages the opportunity for a better future through responsive, top quality, affordable, accessible education.

Kansas Community Colleges:

- Educate more than 51,000 freshmen and sophomores, more than the state universities and Washburn combined.
- Brought $111,854,298 dollars into Kansas from the loans and grants received by over 49,000 students in 2007-2008 who attended community colleges.
- Provided students nearly 629,000 credit hours in 2007-2008.
- Trained those who receive licenses and certificates to work in important jobs in our communities like CNAs, paramedics, carpenters, auto mechanics, mechatronics, tractor mechanics, etc. – technical training specific to local industry and business needs.
- Educated Phi Theta Kappa honor students and other academic students who move on to four year institutions and perform at the highest levels going on to be successful professionals.
- Also provide adult basic education, English as a second language, GED programs, the intermediary step between high school and university enrollment, and elective coursework.
- Are within reach of every community in Kansas, and are preparing the 21st century workers to recreate the vibrant economy we need.

Senate Bill 266 Would:

- Create a tax lid for community colleges,
- penalize those community colleges who have kept their mill levy low, and
- create a serious obstacle to local trustees who are statutorily obligated to be responsible for the operation, control and management of the college.

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Community Colleges are Locally Governed:

- Community colleges are governed by a locally elected board of trustees who are authorized to levy a tax as determined by them "to be sufficient to finance that part of the budget of the community college which is not financed from any other source provided by law." (K.S.A. 71-204.)

- The other source of their budget financed by law is the state operating grant created under SB 345 from 1999.

    - That grant, this year, has been reduced by 4.25%. Next year, according to Ways and Means, it may be reduced by 14.25%.
    - Since there are only three real sources of funding to community colleges – state operating grants, local taxes and student tuition and fees - passing this bill would seriously limit community colleges ability to do what they do so well – educate affordably in Kansas communities across the state.

Local Control Already Exists:

- Each community college has a different mill levy, budget and needs, thus the statutory authority to local boards of trustees to maintain and operate community colleges and determine how to fund their budgets.

- There already is a limit to the mill levy and that limit is local voters saying no to the increase.

- It is the local electorate who see the benefit of the community college to their community through its programs, its cultural activities, lifelong learning and the source of jobs for those communities. They are the ones who have built these facilities and who understand their importance to the vibrancy of their community.

- Although the impact to each community college would be different, in general, this bill ties the hands of the local Board of Trustees if a significant valuation increase takes place that is coupled with any loss of revenue from other sources.
    - If values go up 5% and the state cuts 10%, the local Board of Trustees will not be able to meet their statutory obligation to "finance that part of the budget of the community college which is not financed from any other source provided by law".
    - With the state reducing their contribution, this bill would take away a necessary option for increasing needed revenue.

- With cuts to state operating grants and to their ability to raise money locally, community colleges would be left with no way other than raising tuition to fill the funding gap, and community colleges pride themselves on affordable quality education. This affordable education is needed in Kansas communities.

- Instituting this cap would require more state operating grant dollars to flow to community colleges or a raise of tuition which seems counter intuitive if we really believe post secondary education and training is the way out of economic decline.

In Conclusion:
I am asking you to let the local boards determine what is appropriate and let the local electorate control what is important to them. They are closest to the community colleges and to the situation in each local community.

I hope the committee will not support this bill but instead will support community colleges.

TO: Chairman Donovan and Members of the Senate Assessment
& Taxation Committee
DATE: February 26, 2009
RE: TESTIMONY REGARDING SB 266

My name is John Masterson. I am the president at Allen County Community College and have been in that position since 1992. I am here today to testify in opposition to SB 266.

Allen has campuses in Iola and Burlingame and 14 outreach sites throughout our service area, which includes Allen, Anderson, Coffey, Osage, Wabaunsee, and Woodson Counties.

Allen currently serves nearly 3,000 students with approximately 600 at the Iola campus, 900 at the Burlingame Campus, 1,300 online, and the balance at outreach sites throughout the service area. Approximately 14% of the students are from Allen County, 83% from other Kansas counties, and 3% from out-of-state or international.

As you are aware, community colleges have three primary sources of revenue. Those sources are state funds, local funds, and student tuition. Senate Bill 266 is particularly onerous because it penalizes those who have kept their mill levies low and have tried to comply with the provisions of SB 345. Allen is currently looking at around $220,000 in the 4.25% cut this year and an additional $738,000 in the cuts for 2009-2010. Since 41% of our revenues come from the State the reduction in funding at the State level affects us more than some. The Post Audit Report released last February, which dealt with compliance with SB 345, showed the following:

- Allen had the least spending per FTE student ($5,395 vs. state average of $9,893)
- Was among the colleges who reduced property taxes by at least as much as required (101%)
- Reduced mill levy rates 35% from 2000 to 2007
- Was the fastest growing community college in the state (57% 2000-2007)
- Actually reduced property tax revenues from $1.3 million in 2000 to $1.1 in 2007

I provide the above to show that the college is run efficiently and frugally. Had SB 345 been funded as written, the college would have been in even better shape and additional dollars would have been used to reduce the mill levy even further. However, with the current problems at the state level, to remove a possible source of revenue would not be prudent. While the Board of Trustees have indicated that our budget for 2009-2010 should not depend on an increase in our mill levy, if the conditions that exist now continue, it should be as much a consideration as tuition increases and lay-offs.

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The main reason that Allen is opposed to SB 266 has less to do with finances and more to do with governance. It is currently up to the locally elected Board of Trustees to make decisions regarding mill levies. This bill would take that local decision and move it to Topeka. The Board of Trustees at Allen County Community College has shown they are responsible and responsive to their constituents. If SB 266 was enacted, it would be very tempting for the Board to increase the funding by the allowed 103% each year since they would not be able to respond to unforeseen crises like we are facing today.

I request that you not support this bill and leave the setting of mill levies to the locally elected boards. If the communities they represent don't agree with board decisions, the board members hear about it in their Wal-Marts and grocery stores. If they disagree with decisions, the citizens have the opportunity to replace board members.

Thank you for the opportunity to express my concerns. Good luck with the very difficult decisions that confront you this legislative session.