



300 SW 8th Avenue, Ste. 100  
Topeka, KS 66603-3951  
P: (785) 354-9565  
F: (785) 354-4186  
[www.lkm.org](http://www.lkm.org)

**To:** House Committee Taxation  
**From:** Nathan Eberline, Executive Director  
**Date:** March 19, 2024  
**RE:** HCR 5025 – Average Value Constitutional Amendment  
*Neutral – Verbal Testimony*

Thank you to Chairman Smith and the House Tax Committee for the opportunity to provide this testimony on behalf of our members.

The cities of Kansas believe in finding a balance between fair taxation that does not burden citizens while ensuring basic services are paid for to protect the health and safety of Kansans. Valuations play a key role in our system, and HCR 5025 addresses a significant concern in our system: predictability. It is a sound system to base property valuation on fair-market value. Yet when sale prices reach extreme highs as we have recently experienced or extreme lows as we experienced during the Great Recession. Both extremes cause challenges, because the valuations can fluctuate significantly from year to year. HCR 5025 rightly parallels the Kansas approach to ag-land valuation, which should help with predictability for taxpayers. There are, however, concerns that will be important to address before proceeding with such a comprehensive change.

Constitutional Amendments are more concrete in setting long-term policy compared to amending statutes which provides flexibility if changes are needed later. For that reason, The League is Neutral on HCR 5025, at this time, as we want to ensure critical issues are addressed before passage.

Please consider the following during consideration of HCR 5025:

- Residential properties make up an average of more than 60% of total assessed value in most cities. As proposed, this amendment will decrease the overall value of residential property in all cities.
- Statutory debt limits for counties (*KSA 10-106*) and cities (*KSA 10-308*) use assessed valuation to determine the debt limit for local governments. The debt limit for cities is 30% of the assessed valuation. The 10-year lookback in HCR 5025 could retroactively put cities in violation of KSA 10-308.
- Bond rating agencies use assessed valuation of all property in a city as a significant factor when assigning a bond rating. If assessed values decrease immediately upon passage of HCR 5025, this could negatively impact cities' bond ratings.
- It is important to find a balance between ensuring property owners are taxed fairly while protecting properties from falling too far below market value. HCR 5025 works to find that balance but may need to consider a lookback and average of less than 10 years. A lower number can accomplish the same goals.

- There is a correlation between the Revenue Neutral Rate process and residential property valuations. As HCR 5025 has an “instant” impact, changes may need to be made to the RNR process.
- A Constitutional Amendment is less flexible long-term than amending statutes, which allows for corrections and adjustments over time. Current state statutes could be changed to accomplish the same goals as HCR 5025.
- Kansas agricultural land has long had a system that uses multiple-year averages. There is value in looking at that system and what pieces of it can work successfully for commercial and residential property in Kansas.

The League believes a valuation system that uses an average of multiple years to determine residential values is a positive step forward and worthy consideration. Changes to the valuation process are necessary as we work together to bring tax reduction to Kansans in a way that recognizes there are multiple entities involved that determine a taxpayer's levy. Concerns with HCR 5025 can be addressed to create a more equitable system.

When it comes to the creation of tax and valuation policies, governmental bodies in Kansas are too often operating in silos—units acting independent of one another yet making decisions that significantly impact the others. This is not a productive way to reach solutions for taxpayers, cities, or the State.

Cities, Counties, and the State are connected as we collectively work to serve Kansans, and we need to operate in a manner that recognizes this our connectivity. City Governments and the State Legislature need to work cooperatively on the development of these policies. In doing so, we will better craft policies that fulfil the essential needs of each unit of government while reducing taxes on citizens.

We ask that you keep this spirit of cooperation and collaboration in mind as you make policy decisions and know that we at the League are spreading this message to the cities of Kansas.

Thank you for your time and consideration of these issues. I am always available to provide additional information and answer any questions you have.

**Nathan Eberline**

*Executive Director*

*League of Kansas Municipalities*

*913-660-8862*

*[neberline@lkm.org](mailto:neberline@lkm.org)*