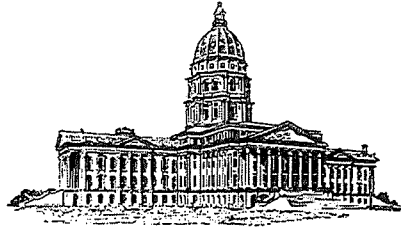


STATE OF KANSAS
HOUSE OF REPRESENTATIVES

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WESKAN, KANSAS 67762
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ADAM W. SMITH
120TH DISTRICT

House Bill 2396 – Proponent Oral Testimony

Chair Tyson and members of the Senate Assessment and Taxation Committee,

Thank you for considering HB2396 and allowing me the opportunity to present proponent testimony.

Why repeal revenue neutral law?

Quite simply, I'm trying to make tax increases easier for the taxpayers to see and understand. If you look at a revenue neutral notice, it has a lot of good, detailed information but it is sometimes hard to understand which entities are raising taxes and how much.

I've attached my own latest revenue neutral notice ([Attachment 1](#)), you will see that "USD 242 Other" has a 2024 Maximum Tax exceeding 2023 Tax of \$113.45 that is a 18.35% increase. But then under the public hearing section, that line shows a 2024 Maximum Tax exceeding Revenue Neutral Rate of \$62.77. If revenue neutral is supposed to represent the same tax as last year, why are the two numbers different and which one is actually my tax increase? The answer is the \$113.45 but why is the other number only showing half of the increase?

Then a couple lines down, Wallace County shows my largest dollar amount of tax increase at \$225.89. That's probably the revenue neutral hearing I want to attend most because it represents the largest dollar amount of my increase by nearly double. Yet, when I look at the public hearing section, Wallace County did not exceed revenue neutral and there is no hearing. How can my county taxes go up almost 12 percent if the county was revenue neutral? It's the same for Fire District #3, my tax increase is 12.54% but there is no revenue neutral hearing. What's going on? Who is raising taxes and who isn't?

While the revenue neutral notice has a lot of good detailed information, it can be very confusing and difficult to interpret. We've got to make it more simple for taxpayers to understand, and to do that we need to take the focus off the revenue neutral rate, which is a mill levy and most folks (some local officials and legislators included!) don't understand how mill levies work. Instead put the emphasis on the actual tax increase. People understand dollars.

A Truth in Taxation Notification ([Attachment 2](#)) isn't in the bill right now, but that was something I was working on and didn't get finished before we needed to run the bill. I've had quite a few people that really like the idea because it retains the transparency provision of the revenue neutral notification but in a format that would be much easier to understand. For this hearing today, I drafted an example of what a Truth in Taxation Notification could look like. If you take a quick look at that, you can see immediately which entities raised their taxes, which ones held the line, and which ones actually CUT their budgets. I

think you could even improve this more by adding some historical years for perspective. Unlike revenue neutral notices that are specific to each taxpayer, this notification could be easily and affordably mass-produced. It could be a publication in the local newspaper or posted on the county/city websites. It could be mailed out, too, but that starts adding quickly to the expense.

Finally, my biggest reason for repealing the revenue neutral law is the fact that we, as the legislature, do not hold ourselves accountable to the same standard. We set our statewide levies at 20 mills for schools and 1.5 mills for building funds, but as valuations rise we never adjust those mill levies down and that results in a tax hike on every single taxpayer in Kansas. This is a deceptive way to increase taxes and we have no problem calling out the local officials when they do this. But we rarely point that finger back at ourselves when we do the exact same thing. It's not limited to property tax, either. The growth in our state budget over the past 10 years has gone from \$14.4B to \$25.4B All Funds – that's a 76% increase, and State General Fund spending has went from \$6.23B to \$9.97B – a 60% increase. This is well above the average annual inflation during that same time period which is 2.60% and FAR from revenue neutral.

Speaking of inflation, if you truly want to limit property tax increases to 3%, this is the bill you should consider! If you look at the historical inflation data ([Attachment 3](#)), the 25 year average for our regional inflation (CPI-U Midwest) is 2.36% and thirteen of those years it was 2.0% or less. If you add in the statewide average for new construction growth which, according to the Property Valuation Division is 0.50%, you are right at that 3% limit (or less). Even with the extreme inflation we've seen recently, the 10 year average is still only 2.60%.

Why use a protest petition instead of an election?

Simply put – timing. I would love to have this be on a regular election, and that's how I originally envisioned the bill. It would just be added to the regular ballot at the normal time without much additional expense. However, it quickly became clear it would be very difficult to blend the election calendar and the budget calendar that local governments have to follow.

Primary Election: Not every community has a primary every year – small counties often don't have competitive races. (I can't remember the last time Wallace County had one, and even a relatively good-sized county like Saline hasn't had one in 14 years!) Plus, local governments would have to significantly accelerate the municipal budget cycle to have budget adopted by June 15th (over two months sooner than currently!) to make it on the primary ballot.

General Election: Not even possible – the tax roll with budgets and mill levies is required to be certified Nov 1st, and tax statements are being prepared and printed mid-November.

Local Government Budget Calendar:

1. Counties – First Monday of Aug, determine tax to be levied (KSA79-1802)
2. Budgets certified Aug 25th (KSA79-1801)
3. Election/revenue neutral date delay to Oct 1st (KSA79-1801)
4. Upon state board of equalization certification to county clerk, clerk takes all certified budgets & taxes levied, calculates tax rate (mill levy), and creates the tax roll by Nov 1st (KSA79-1803)
5. County clerk certifies to PVD on or before Nov 15 total taxes levied in the county
6. Tax Statements mailed by Dec 15th (KSA79-2001)
7. Tax due (first half) Dec 20th (KSA79-2004) (May 10th, second half)

Special Election: With the current 45 day prohibition surrounding our primary and general election dates, the window for allowing special elections is narrow at best, nonexistent at worst. This year, that's from 6/21-12/19. Of course we could allow for an exclusion to that statute for Budget elections, which might be possible, but tightens up the calendar and leaves no room for error/software/printing problems. Some clerks, especially newly elected, struggle to meet the Nov 1 deadline currently because of overlapping districts and waiting on others to report and certify. Special elections are also costly and I question the reasoning of requiring the expenditure of taxpayers dollars to stop tax increases. Plus, who pays for the election?

Why have the demand transfer fund (ASTRA)?

The first question I heard was: isn't this just LAVTR all over again? Absolutely not!

Under the Local Ad Valorem Tax Relief Fund and City County Revenue Sharing Fund, it was money that was just given to local governments with no strings attached. There was no accountability. This bill has accountability first before any distribution is made, and it will work. I had Kansas Legislative Research run the number for me on Leavenworth County ([Attachment 4](#)).

Quite frankly, this was my attempt at avoiding the insanity of doing the same thing over and over again and expecting different results.

Did you know the first tax lid in Kansas was adopted in 1908? It was a flat 2% limit. Then there was another in 1933, 1970, 1973, 1985, 1999, & 2015. Am I the only one detecting a pattern here? Tax lids have been enacted and usually work for a short time before exclusions are requested and granted for things like law enforcement, ambulance services, mental health services, bond and interest, judgements & settlements, employer contributions and benefits. Interesting side note here is the tax lid of 1970... it authorized local earnings tax and sales tax! It's fascinating that we are here 55 years later debating the exact same thing. Guess what? The earnings tax didn't work. One county tried an election and it failed nearly 5-1. Both were repealed the following year but the sales tax was reauthorized in 1973 and it's been on the books ever since.

My point is: if we adopt a tax lid without trying something a little different, what makes us think it will work better than the others we've tried over the past 110 years?

I have heard the complaint that this isn't enough to incentivize/reimburse local government. On its own, probably not. That's a pretty small carrot at the end of the stick when you divide \$60M up between every city and county in the state.

I came up with that number out of conversations with the House appropriations chairman when I asked what the "budget experts" felt was sustainable when looking at this year's budget. I would have loved to do more, last fall I was hoping to shoot for \$200M of property tax relief! I was hoping to do SB35 – removing the state's 1.5 mills and HB2011 – reducing the statewide school mill levy to 18.5 mills and then have what's left to enhance other property tax programs for the elderly, disabled, veterans, and others who are very deserving. The problem, and it's a great problem to have, is that we have provided nearly \$1B of tax cuts over the last several years through food sales tax, income tax cuts. Unfortunately, only about \$125M of that was property tax in the form of increases in the homestead exemption and enhancing some of the other circuit breaker programs.

So, \$60M was the number I was advised we had to work with so that's what I put in the bill.

Here's the final reason I'm proposing the ASTRA fund. Perhaps my logic is flawed, but this is what I'm thinking. History has taught us that at some point, local governments will be coming in asking exclusions. Even with this incentive fund, at some point I can almost assure you there will be several cities and/or counties making that request. Now I can't guarantee what a future legislature is going to feel, say, or do... but I think it's going to be a lot harder to have sympathy and grant those exclusions if this fund exists. I just feel like we've got to try something different.

Thank you for the opportunity to speak on House Bill 2396!



Adam Smith

Chairman, House Taxation Committee
Kansas House of Representatives 120th District
300 SW 10th Ave, Room 185-N
Topeka, KS 66612
785-296-0715



Attachment 1

WALLACE COUNTY
PO BOX 70, 313 N MAIN
SHARON SPRINGS, KS 67758

NOTICE OF PROPOSED PROPERTY TAX INCREASE AND PUBLIC HEARINGS
2024 COUNTYNAME County Revenue Neutral Rate No

ADAM W SMITH, ET UX
1970 ROAD 3
WESKAN KS 67762

Property Description
2024 1-00389 1970 ROAD 3 67762

THIS IS NOT A BILL. Do not remit payment.

This notice contains estimates of the tax on your property and proposed property tax increases.
THE ACTUAL TAX ON YOUR PROPERTY MAY INCREASE OR DECREASE FROM THESE ESTIMATES.
Governing bodies of taxing subdivisions must vote in order to exceed the Revenue Neutral Rate to increase the total property taxes collected.
Governing bodies will vote at public hearings at the dates, times, and locations listed. Taxpayers may attend and comment at the hearings.
Property tax statements will be issued after mill rates are finalized and taxes are calculated.

Property Values

Class	Prior Year Appraised	Prior Year Assessed	Current Year Appraised	Current Year Assessed
A AG	28,670	8,163	26,790	7,573
F FARMSTEAD	82,430	9,479	92,140	10,596

Taxing Subdivision	2023 Tax	2024 Tax at Revenue Neutral Rate	2024 Maximum Tax	2024 Maximum Tax Exceeding 2023 Tax	
				Amount	Percent
USD 242 GENERAL	\$256.12	\$207.11	\$207.11		
USD 242 OTHER	\$617.96	\$668.64	\$731.41	\$113.45	18.35%
STATE	\$26.46	\$29.62	\$29.62		
WALLACE COUNTY	\$1,892.56	\$2,118.45	\$2,118.45	\$225.89	11.93%
WESKAN TWP	\$16.02	\$17.82	\$17.82	\$1.80	11.23%
FIRE DIST #3	\$98.48	\$110.83	\$110.83	\$12.35	12.54%
NWKS LIBRARY	\$23.89	\$20.09	\$25.09	\$1.20	5.02%
SUNFLOWER EXTENSION	\$36.13	\$38.12	\$45.13	\$9.00	24.91%

Taxing Subdivision	Date, Time and Location of Public Hearing	2024 Maximum Tax Exceeding Tax at Revenue Neutral Rate
USD 242 GENERAL	09/09/2024 06:50 PM NO RNR HEARING REQUIRED PER KSA 79-2988	
USD 242 OTHER	09/09/2024 06:50 PM Weskan Schools Boards Room 219 Coyote Blvd Weskan KS 67762	\$62.77
STATE		
WALLACE COUNTY	NO RNR HEARING REQUIRED PER KSA 79-2988	
WESKAN TWP	NO RNR HEARING REQUIRED PER KSA 79-2988	
FIRE DIST #3	NO RNR HEARING REQUIRED PER KSA 79-2988	
NWKS LIBRARY	08/20/2024 01:00 PM Colby Event Center 1200 S Franklin Ave Colby KS 67701	\$5.00
SUNFLOWER EXTENSION	09/11/2024 05:45 PM Western State Bank 815 Center St Goodland KS 67735	\$7.01

ATTACHMENT 2

NOTICE OF TAX INCREASE – WALLACE COUNTY 2024

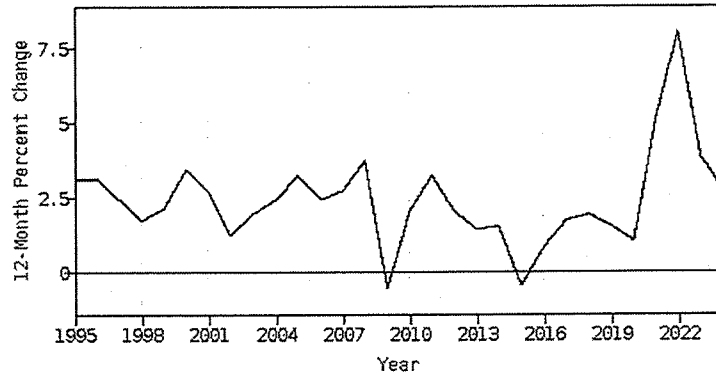
Taxing Subdivision	2023 Tax	2024 Tax	Increase		Protest Petition
USD 242 GENERAL	\$213,995	\$197,448	-\$16,547	-7.73%	N/A
USD 242 OTHER	\$392,458	\$429,321	\$36,863	9.39%	N/A
STATE	\$58,847	\$54,222	-\$4,624	-7.85%	N/A
WALLACE COUNTY	\$4,208,573	\$4,208,600	\$27	0.00%	No
WESKAN TWP	\$11,638	\$11,645	\$8	0.06%	No
FIRE DIST #3	\$78,416	\$63,621	-\$14,795	-18.87%	No
NWKS LIBRARY	\$42,078	\$45,663	\$3,585	8.52%	No
SUNFLOWER EXTENSION	\$80,345	\$89,757	\$9,412	11.71%	YES

ATTACHMENT 3

Year	CPI
2000	3.40
2001	2.70
2002	1.20
2003	1.90
2004	2.40
2005	3.20
2006	2.40
2007	2.70
2008	3.70
2009	-0.60
2010	2.00
2011	3.20
2012	2.00
2013	1.40
2014	1.50
2015	-0.50
2016	0.80
2017	1.70
2018	1.90
2019	1.50
2020	1.00
2021	5.10
2022	8.00
2023	3.80
2024	2.70
25 yr avg:	2.36
10 yr avg:	2.60

13 years of 2.0% or less

Consumer Price Index, Midwest Region
U.S. Bureau of Labor Statistics



ATTACHMENT 4

Leavenworth, County

Actual w/ RNR law	valuation	levy	Taxes Levied	% incr		
Base Year 2021	\$ 823,229,821	0.036691	\$ 30,205,125			
2022	\$ 937,507,149	0.035924	\$ 33,679,007	11.50%		
2023	\$ 1,065,588,682	0.035779	\$ 38,125,697	13.20%		
2024	\$ 1,110,139,967	0.037561	\$ 41,697,967	9.37%		
Total Increase from base year		\$	\$ 11,492,842			
Total Increase from base year %			38.049%			
Potential w/ ASTRA	valuation	levy	Taxes Levied	% incr*	Savings	ASTRA \$
Base Year 2021	\$ 823,229,821	0.036691	\$ 30,205,125			
2022	\$ 937,507,149	0.034954	\$ 32,769,541	8.49%	\$ 909,466	1,321,060
2023	\$ 1,065,588,682	0.032075	\$ 34,178,631	4.30%	\$ 3,947,067	1,321,060
2024	\$ 1,110,139,967	0.031770	\$ 35,268,929	3.19%	\$ 6,429,038	1,321,060
			\$ 5,063,804		\$ 11,285,571	\$ 3,963,180
			16.765%		3 yr Total	3 yr Total

* Allowed Growth for CPI + new construction

Data Sources:

<https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services/municipal-budgets>

<https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services/county-tax-levy-sheets>

KDOR - PVD ASTRA Distribution Estimates and New Construction Estimates

Kansas Legislative Research Dept.