



# Testimony

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## Senate Bill 409 Restoring LAVTR Funding

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Senate Assessment and Tax Committee

The Unified Government Government of Wyandotte County/Kansas City supports restoring the longstanding partnership between the State of Kansas and local governments to control property taxes.

Under the Local Ad Valorem Tax Reduction Fund, dollars sent from the State of Kansas to local governments are directly applied to lowering property tax levies. This time-tested partnership—started in 1937 and cancelled in 2003—provides dollar for dollar reductions in property tax bills. This partnership is a far better way to influence property tax rates than artificial and arbitrary controls such as caps on assessed valuations or tax and spending lids on local governments.

The Unified Government suggests the Legislature restore its commitment to reducing city and county property taxes by following the state law which designates State casino revenues be used for property tax reduction. The new casino revenues could be used to restart the now cancelled Local Ad Valorem Tax Reduction Fund (LAVTR).

The State of Kansas, struggling with massive budget shortfalls, has slashed tens of millions of dollars in revenues mandated by law for local governments. And the Legislature continues to off-load new duties on local governments without providing the money to pay for them. This puts more and more pressure on local property taxes.

In 2006, the Kansas Legislature repealed the property tax on commercial and industrial machinery and equipment. That decision, while positive for business, is taking a devastating toll on Unified Government revenues. Since 2006, Wyandotte County has lost \$100-million in assessed value from machinery and equipment, reducing Unified Government property taxes by more than \$7-million. Those dollars were once used to pay for police and fire protection, street repairs and general operations.

And to make matters worse, after only year the Legislature broke its agreement with local governments to fund the M&E “slider” formula. That money was intended to offset the severe reduction in local revenues caused when the Legislature eliminated the machinery and equipment tax. The elimination of the Machinery and Equipment property tax hit Wyandotte County harder than any other county in Kansas. Breaking the agreement on the “slider” payments has cost the Unified Government millions of dollars.

Sn. Assmnt & Tax  
3-8-12

Attachment # 3

I've heard comments that even with the LAVTR in place, property taxes increased over the years. But keep in mind, LAVTR funding only goes to cities and counties, not school districts. So the statistics need to be examined to determine what percentage of any overall increases are due to school district increases versus city and county increases. Also, keep in mind some percentage of any property tax increase over those years are also due to voter approved bond issues. To paint an accurate picture of the impact of LAVTR, tax increases due to schools or voter approved bond issues need to be removed from the calculations.

The Unified Government has consistently reduced the city/county mill levy over most of the past 15 years since consolidation. The Unified Government mill levy was increased for the 2012 budget, but even then property owners are paying less in city-county property tax for the 2012 budget than they paid in 2009. The property tax rate is still much lower than before the Unified Government was created. In 1997 it was 97 mills. Now its 81.6 mills. The owner of a median-priced Wyandotte County home paid \$702 in Unified Government property tax in 2009. The Unified Government tax bill for that same house is \$677 for 2012. That's a reduction of \$25. The Unified Government receives less than half of the total tax bill paid by a Wyandotte County resident.

The Unified Government has acted responsibly in its taxing and spending policies. The local elected Commissioners entrusted by our citizens to make these decisions hold dozens of hours of public workshop sessions discussing the budget. Citizens are well-informed of the issues and have plenty of opportunity to give their input about the level of services they want and what they are willing to pay.

Much of the pressure on local government mill levies has been caused in part by economic conditions since 2008, but also because of actions by the Kansas Legislature which have eroded local government tax bases and by the Legislature's refusal to fund promised, legally obligated revenue programs like LAVTR and the machinery and equipment slider.

Restoring the LAVTR will benefit taxpayers across Kansas.