KANSAS ASSOCIATION OF COUNTIES

TESTIMONY OF THE KANSAS ASSOCIATION OF COUNTIES TO THE HOUSE TAXATION COMMITTEE ON HB 2400

March 17, 2015

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to offer testimony in opposition to HB 2400.

HB 2400 repeals the statutes that establish and direct distribution of the Local *Ad Valorem* Tax Reduction Fund (LAVTR). The LAVTR program dates back to 1937, when any residual amount of the state sales tax left after the state met its budgetary obligations was transferred to the counties for the purpose of reducing property tax levies at all levels of local government. The avowed purpose of the transfer was to stabilize and lower local property taxes. The current system directs two transfers in January and July totaling 3.63% of the sales tax revenue that is credited to the State General Fund from the preceding year. The money is divided among the counties on the basis of population and assessed tangible property. Each county then divides the property tax among the local units of government (except for schools) proportionately based on property tax levies in the preceding year. The money must be credited to one or more tax levy funds of general application (except bond and interest funds). The local units' budgets must show the application of the LAVTR.

The State first suspended the LAVTRs in 2003, when the recession hit. Since that time, the State's distribution of LAVTR to local government has been canceled year after year. I have attached two handouts that show the amount of money lost by the State's decision to defund the LAVTRs. The total through FY 2013 is almost $800 million. The chart also shows the loss of $660 million from the City-County Revenue Sharing Fund, another state funding partnership with local governments that has been defunded over the years.

We understand that the State has not funded LAVTRs for years; however, we request that the statute remain on the books. Should the State begin experiencing greater prosperity, the legislature may want

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to consider reinstating the LAVTR in order to lower statewide property taxes. As we all know, Kansas citizens detest the property tax. Counties generally have two revenue producers: the property tax and the local-option sales tax. The general purpose sales tax is limited to 1% and must be shared with cities. Elimination of the LAVTR simply results in more reliance on the local property tax.

We ask you to leave HB 2400 in committee and not pass it favorably. Thank you for your consideration.

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History of Shared Revenue

Revenue sharing dates back to the 1930s with the current statutory framework being established in 1965. K.S.A. 79-2959. At that time, the local share of certain cigarette revenue stamp taxes and cereal malt beverage taxes was given up in order to unify and simplify the tax system while reducing the local property tax burden. While the LAVTRF has remained on the books, beginning in FY 1992, the Kansas Legislature started reducing the amount of the transfer to local governments through the appropriation process. During the same time frame, the Legislature has also reduced City-County Revenue Sharing Funds that are owed to cities and counties pursuant to K.S.A. 79-2964.

Local Ad Valorem Tax Reduction Fund Losses

Fiscal Year	Statute	Actual	Loss
1992	$38,966,000	$38,576,000	$390,000
1993	$40,540,000	$39,324,000	$1,216,000
1994	$41,971,000	$40,293,000	$1,678,000
1995	$44,649,000	$44,649,000	$0
1996	$47,054,000	$46,301,000	$753,000
1997	$48,661,000	$46,949,000	$1,712,000
1998	$50,688,000	$47,771,000	$2,917,000
1999	$55,122,000	$55,122,000	$0
2000	$57,903,000	$57,903,000	$0
2001	$60,315,000	$54,139,000	$6,176,000
2002	$61,980,000	$54,680,000	$7,300,000
2003	$62,431,000	$26,247,000	$36,184,000
2004	$64,636,000	$0	$64,636,000
2005	$66,521,000	$0	$66,521,000
2006	$66,682,000	$0	$66,682,000
2007	$71,233,000	$0	$71,233,000
2008	$71,063,598	$0	$71,063,598
2009	$69,860,878	$0	$69,860,878
2010	$67,430,000	$0	$67,430,000
2011	$81,788,000	$0	$81,788,000
2012	$87,665,000	$0	$87,665,000
2013	$92,021,000	$0	$92,021,000
	$1,386,344,476	$589,118,000	**$797,226,476**

City-County Revenue Sharing Losses

Fiscal Year	Statutory	Actual Distribution	Loss
1992	$29,461,000	$29,166,000	$295,000
1993	$31,153,000	$30,218,000	$935,000
1994	$31,905,000	$30,629,000	$1,276,000
1995	$33,375,000	$33,375,000	$0
1996	$36,070,000	$34,610,000	$1,460,000
1997	$37,117,000	$35,095,000	$2,022,000
1998	$38,570,000	$35,709,000	$2,861,000
1999	$41,376,000	$36,566,000	$4,810,000
2000	$44,359,000	$36,932,000	$7,427,000
2001	$46,004,000	$34,531,000	$11,473,000
2002	$46,901,000	$34,876,000	$12,025,000
2003	$47,868,000	$16,741,000	$31,127,000
2004	$51,564,063	$0	$51,564,063
2005	$53,422,952	$0	$53,422,952
2006	$56,609,567	$0	$56,609,567
2007	$57,920,881	$0	$57,920,881
2008	$55,206,431	$0	$55,206,431
2009	$54,329,823	$0	$54,329,823
2010	$52,570,000	$0	$52,570,000
2011	$63,606,000	$0	$63,606,000
2012	$68,175,000	$0	$68,175,000
2013	$71,563,000	$0	$71,563,000
	$1,077,477,717	$416,799,000	**$660,678,717**


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LAVTR-Actual
LAVTR-Projection
CCRS-Actual
CCRS-Projection