Testimony to Senate Taxation Committee
HB 2400
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I am here to testify in support of the removal of the statute that creates the assumed revenue reduction for Local Ad Valorem Tax Relief (LAVTR) which has not been funded since 2003. LAVTR is one of two transfers that are funded from sales tax revenues along with the Country and City Revenue Sharing Fund (CCRSF). By statute, the LAVTRF should receive 3.6 percent of sales and use tax receipts, and the CCRSF should receive 2.8 percent. While the percentage is established in statute, it should be noted that, the transfers often have been capped at some level less than the full statutory amount or as previously noted not funded at all. Current cap in statute is for two transfers of $27 Million per transfer.

After over a decade of not funding this redistribution of taxpayer funds it is time to end this charade. So far this year sales and use tax receipts to City and County governmental units are up over $20 Million over the prior year. The Cities and Counties are recipients of one of the benefits of reduced state income taxes as citizens find more funds in their paychecks and spend part of those funds locally. When local government entities claim they need to increase property taxes it is a local budget problem not a state problem. For example in Johnson County total property taxes increased by 133.9% between 1997 and 2013. I would ask legislators to note LAVTR was funded during part of the history of those increases but yet it did not stop the county from collecting more from their citizens.

The continuation of this statute has been a factor in providing the media with headlines of huge budget deficits when in fact much of these projections are based on false assumptions such as full funding of LAVTR. It not only effects the projection of the current budget but using the flawed approach of some of the publically released five year profiles creates a multiple effect. When you falsely claim a negative ending balance can carry over year by year something such as the LAVTR transfer becomes a growing part of that balance. Over five years starting in FY-2017 this adds $54 Million per year to the deficit shown by those type of profiles. Over a full five year profile just this misstatement of expenditures creates $270 Million of the deficit shown.

We also recommend removing the statute that created City / County revenue sharing, which also has not been funded since 2003. Other items that may justify some serious consideration is the statute that creates the assumed revenue reduction of a $40 million increase in KBA funding and freeze Promoting Employment Across Kansas (PEAK) at its current level rather than increase taxpayer subsidies to select employers. By removing LAVTR and these items the impact in just FY-2017 would remove over $140 Million from the projected deficit.

However for those things you do not remove from statute consider a general fix for these type of misleading issues. Require any Kansas Legislative Research Department (KLRD) profile that is released to show projected expenditures as line items and if statutory for example the KPERS dedicated direct payment with a footnote stating: basis for projected number and disclosing the funding history and that it is subject to the legislature approving any continuation. This will provide a more honest and transparent presentation for the citizens to develop their opinion of the budget.

I thank the committee for the chance to testify in support of House Bill 2400.

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