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Before the Special Committee on Taxation
Comments by Superintendent Jim Hinson, Shawnee Mission School District
November 6, 2015

Chairman Masterson and Members of the Committee:

Thank you, Mr. Chairman and members of the Committee. I am Jim Hinson, Superintendent of the Shawnee Mission School District. I appreciate the opportunity to appear today to share information on behalf of the school district, the students and staff, and the community. The Shawnee Mission School District serves students living in 14 cities in Johnson County. During the past few months, there has been increasing conversation and media reporting regarding tax increment financing (TIF) proposals across the Kansas City metropolitan area. While this discussion has occurred for some time across the state line, it has not been as widely discussed or utilized in Kansas. In Johnson County, and particularly within the cities comprising the Shawnee Mission School District, TIF is becoming more prevalent. The attached map shows active TIF districts within Johnson County school district boundaries. Our district has received a growing number of requests from cities for development projects that have significant TIF components. There are financial implications for school districts, as well as other taxing entities such as counties, fire districts, and libraries. TIF also impacts individual taxpayers. Therefore, it is important for district officials to review each proposal carefully to analyze benefits and costs of the projects, both short- and long-term.

As you know, tax increment finance (TIF) districts are established by cities. A TIF district uses the increased property taxes generated by the development within a TIF district to pay for certain eligible costs associated with the development. The property tax increment value is the increase in property value over the value in the base year in which the TIF district was established ("captured amount"). The captured amount of incremental taxes are used to subsidize costs such as land acquisition, demolition, public and site improvements, and related administrative costs. The 1.5-mill state levy and 20-mill general fund levy for K-12 schools are exempt from being captured in TIF. The 20-mill general fund levy is assessed and collected by the county and remitted to the state, not the school district.

While state law provides veto power to taxing entities, the board of education and the county commission, after a city council has approved the TIF boundary, the timeframe within which these entities can review and choose to act on a TIF is limited to a finite window of 30 calendar days. During this time, the school board has a fiduciary responsibility to review the TIF proposal and determine the financial implications, both positive and negative, to the school district. There is not a requirement within statute for financial details, or a pro forma, to be included or presented by the city or developer to the taxing entities during the 30-day consideration window.

When a TIF is established, the school district continues to receive the taxes collected calculated on the base year until the TIF district is formally dissolved. For example, if the assessed valuation in the base year was \$150,000 and the new assessed valuation is \$275,000, then the TIF increment captured is \$125,000. Of the \$125,000 increase, the city is entitled to capture a percentage. If the percentage is 90, then \$112,500 is captured for the project. The remaining 10

percent, or \$12,500, of the increased value would be distributed among all the taxing entities that levy taxes on the property within the TIF district.

There can be multiple projects approved within a TIF district, and proceeds from one project can be used to support other projects within the TIF district. While TIF projects are approved in accordance with Kansas Laws (K.S.A. 12-1770, etc.) for up to 20 years per project, a TIF district boundary, once established, continues indefinitely until the city council takes action to formally dissolve the TIF district. The school district does not receive any increase in taxes generated from the development until the TIF district has been officially dissolved and the county has been notified.

The school district receives no additional taxes for operating funds (General and Supplemental General Funds) from the increased assessment. This is due to the school finance formula which determines the school district's spending authority for each of these funds. The additional taxes collected based on the 20-mill general fund levy for K-12 schools are remitted directly to the state. For the Supplemental General Fund, the levy is set so the necessary taxes are collected to meet the spending authority. Even though the assessed valuation in the school district increases, the tax received would not necessarily increase as it would be capped based on the spending authority.

Other funds received by the school district, such as Bond and Interest, Cost of Living Adjustment (COLA), Declining Enrollment, Special Assessment, and Special Liability, do not generate additional taxes from the increased assessment. The mill levies for these funds are determined by a budget process that sets the levies so the necessary taxes are collected to meet budgetary expenditures. While no additional funds would benefit the school district, the increased assessment could potentially lower mill levies for all tax payers in the district.

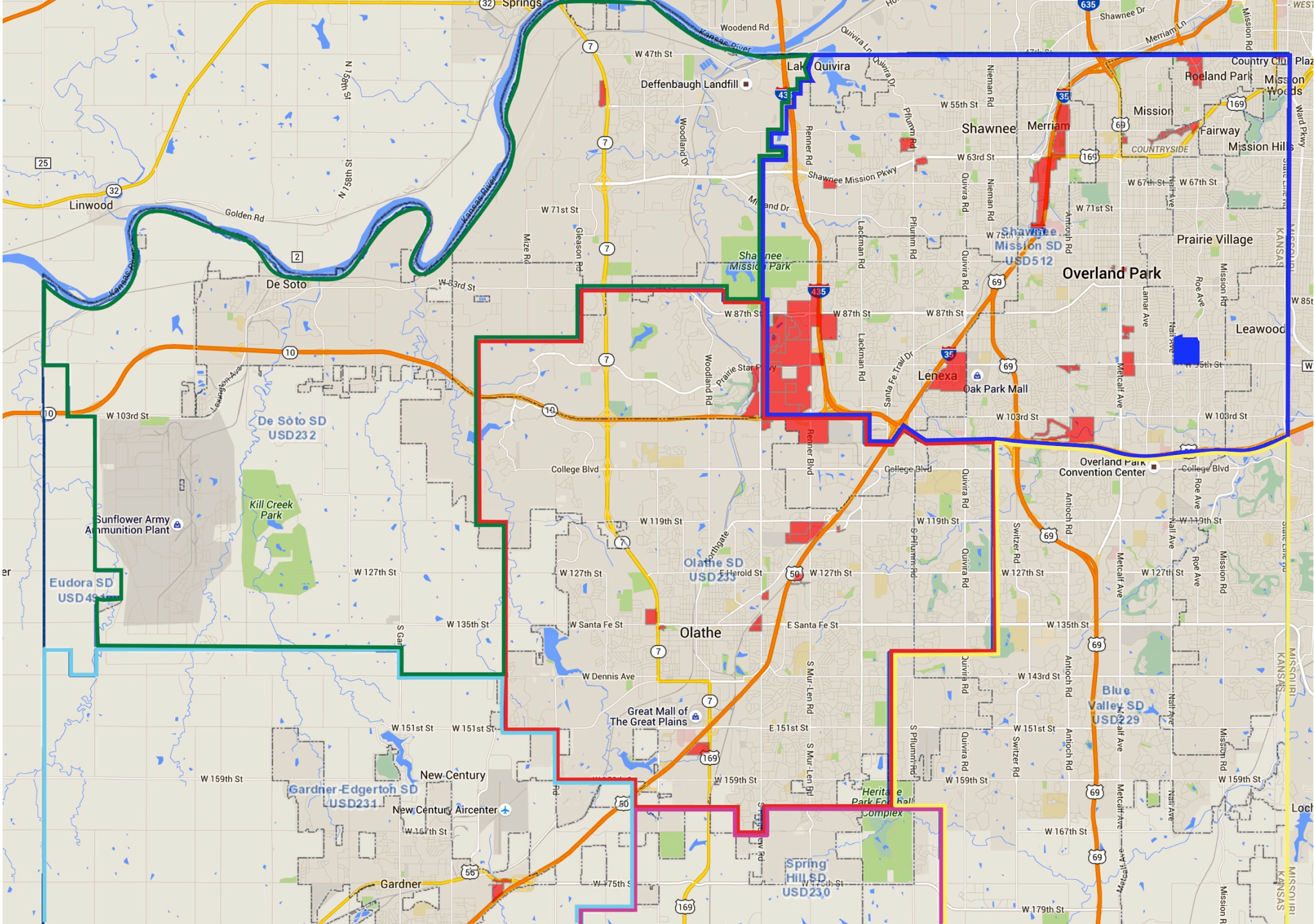
The Capital Outlay Fund is the only fund that truly collects more taxes due to a TIF project coming on the tax rolls. Shawnee Mission School District levies 8 mills for the capital outlay fund, which is the limit according to state law. As assessed valuation increases for the district, more taxes are collected for this fund.

In Shawnee Mission, there are numerous developments that are either proposed or currently underway that include significant residential housing components. In fact, there are an estimated 7,000 new doorways, including single family and multi-family options, proposed or underway within the Shawnee Mission School District attendance area. While we cannot calculate the impact on enrollment, it is likely that the district may see a continued increase in students. Increased enrollment is very positive for the district, but we need to have the revenue to support the resulting needs of additional students. The loss of capital outlay funds through TIF poses a concern regarding the ability to maintain infrastructure needs over time.

We will continue to review proposals and dialogue with partnering entities to develop clear policies to guide our decisions related to TIF proposals. Economic development is beneficial to our community; however, it is important for school district leaders to carefully review and work with the municipalities to ensure that not only the goals of the development are met but that the school district can remain viable and has the resources necessary to meet its educational mission of serving students. I appreciate that this committee is taking the time to develop an in-depth understanding of TIF and explore the impact that TIF has on school districts financially and ultimately on the ability of schools to meet the educational needs of students.

This concludes my presentation. I am happy to answer any questions from the committee.

TIF Projects
In Johnson County



Source:
Johnson County
AIMS Online
Mapping