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TO: Rep. Steven Johnson, Chair
       Members, House Taxation Committee

FROM: Ashley Sherard, President
       Lenexa Chamber of Commerce

DATE: May 10, 2017

RE: SB 146 – Reauthorization of State K-12 Mill Levy and Homestead Exemption

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I appreciate the opportunity to provide our input regarding SB 146. While we do not have a position on the underlying bill reauthorizing the state 20-mill property tax levy for K-12 education and the $20,000 homestead exemption, we oppose an amendment added by the Senate Tax Committee that would prohibit abatement of the state's 20 mills for purposes of economic development.

While supporters of the amendment say local abatement use is growing and that it's contributing to the state's K-12 education funding burden, we believe information recently provided by the KDOR Property Valuation Division (PVD) shows economic development abatements are being used judiciously. According to PVD, 92% of counties in Kansas have *2% or less* of their total appraised valuation abated:
- 44 counties out of 105 have <u>no</u> property abated.
- 37 counties have between 0-1% of their total appraised valuation abated.
- 16 counties have between 1-2% of their total appraised valuation abated.
- Only 8 counties have 2% or more of their total appraised valuation abated.

This data also shows abatements are not leading to instability in school funding. According to PVD, the currently abated 20 mills statewide represents only $14 million in temporarily foregone revenue – just a minor fraction of the total state budget, total K-12 appropriation, or the comparative impact of the $30 billion in exempt property statewide (government buildings, schools, universities, military bases, etc.)

More importantly, it does not account for the other side of the ledger – the significant positive revenue return which grows over time, actually helping support K-12 education funding. Abatements are granted for new construction or expansion -- property being *added* to the tax rolls -- thereby foregoing only future tax revenue not currently being received. Because the vast majority of abatements granted are for <u>less than 100%</u>, there is typically *immediate* increased property tax revenue in addition to all other new tax revenues, fees, new jobs, new production, and spin-off economic activity.

Abatement agreements may also include a Payment in Lieu of Taxes, known as a PILOT – a locally-negotiated agreement that helps offset the impact of abatements on taxing jurisdictions. The state K-12 mill levy is applied proportionally to any PILOT per KSA 12-1742.

Abatements, properly exercised, are a critical economic development tool that Kansas needs to remain competitive with other states. This amendment would make them *less useful in our efforts to grow the Kansas economy.* For example, Kansas is already at a significant disadvantage to Missouri regarding local abatement policy. In Kansas, abatements are limited by the state constitution to 10 years (Article 11, Section 13), while in Missouri the limit is 25 years. Missouri also has other local programs and development resources Kansas doesn't have. Further limiting abatements, as proposed in SB 146, would only widen that existing competitive disadvantage.

What *won't* this amendment do? It will not increase any school district's budget. A school district's budget is capped at whatever amount it is entitled to receive under the school funding formula and that's it. Because the amendment is prospective only, it will not improve the state's current budget/K-12 funding challenges. Because it is prospective only, it will not be possible to determine its true fiscal impact because the state won't know what capital investment projects it has lost because of this policy.

For all of these reasons, we urge you to strip out the amendment to SB 146 prohibiting abatement of the state's 20 mills for purposes of economic development. Thank you for your consideration.

Points to Know About Abatements

- Abatements are granted for new construction or expansion -- property being *added* to the tax rolls -- thereby foregoing only future tax revenue not currently being received. Property currently being taxed is not removed from the tax rolls.

- Abatements are temporary and are usually granted for less than 100% so there is *typically an immediate direct benefit to the property tax base* that increases over time, thereby actually decreasing the property tax burden on other taxpayers. Capital investment is also generally associated with other meaningful direct and indirect economic benefits (i.e. other tax revenues, fees, additional jobs, additional production, etc.)

- Abatements are good economic development policy because they encourage creation of a permanent economic asset in the community – even if a company leaves, the building remains forever and typically goes immediately onto the property tax rolls.

- When companies that receive abatements don't perform as promised, taxpayers are not left holding the bag. Abatements are performance-based and do not involve upfront benefits. If the new capital investment never happens, there is no benefit received and the community is "out" nothing. In instances where there may be partial performance, incentive agreements include "clawback" provisions requiring companies to repay benefits they have already received if they do not fully perform as promised – and in the case of property tax abatements, not only can these clawback provisions be enforced but the new or expanded building remains in the community and usually goes immediately on the property tax rolls, benefiting all taxpayers.

- Communities can't assume most companies will just build or expand in Kansas anyway. In today's world of economic development there are nearly always multiple markets in play for projects, all competing at their highest and best abilities. Accordingly, even critics concede that as a practical matter having competitive incentives and abatements available is absolutely necessary in order to compete to retain and attract investment/jobs.

ECONOMIC DEVELOPMENT (EDX)/INDUSTRIAL REVENUE BONDS (IRB) EXEMPT PROPERTY
Appraised Value

County	2016 Total Appraised	IRB/EDX Exempt	% of Total	20 Mills Exempt Revenue	County	2016 Total Appraised	IRB/EDX Exempt	% of Total	20 Mills Exempt Revenue
McPherson	2,362,598,984	416,405,960	14.98%	2,082,030	Russell	437,743,065	521,990	0.12%	2,610
Rice	587,227,601	59,175,567	9.15%	295,878	Hodgeman	160,041,047	161,310	0.10%	807
Republic	315,615,806	15,165,840	4.58%	75,829	Sumner	1,359,083,865	1,338,940	0.10%	6,695
Cowley	1,520,177,937	71,082,059	4.47%	355,410	Lincoln	229,619,461	222,790	0.10%	1,114
Wyandotte	7,342,244,854	267,531,801	3.52%	1,337,659	Dickinson	1,147,710,310	1,059,253	0.09%	5,296
Franklin	1,430,759,686	49,814,800	3.36%	249,074	Osage	853,214,487	502,860	0.06%	2,514
Reno	3,373,147,193	84,294,231	2.44%	421,471	Miami	2,532,144,889	823,080	0.03%	4,115
Wilson	471,245,599	10,094,146	2.10%	50,471	Rooks	324,211,250	1,038	0.00%	5
Shawnee	10,493,144,602	197,063,166	1.84%	985,316	Anderson	464,939,563	-	0.00%	-
Marshall	715,549,924	12,790,650	1.76%	63,953	Barber	406,075,359	-	0.00%	-
Lyon	1,719,858,764	30,499,420	1.74%	152,497	Chase	227,395,058	-	0.00%	-
Finney	2,484,636,623	39,738,159	1.57%	198,691	Chautauqua	156,163,412	-	0.00%	-
Butler	4,343,892,859	65,858,680	1.49%	329,293	Cheyenne	200,673,860	-	0.00%	-
Rush	209,238,731	3,159,290	1.49%	15,796	Clark	146,507,157	-	0.00%	-
Cloud	489,386,685	7,386,620	1.49%	36,933	Coffey	1,757,117,172	-	0.00%	-
Johnson	64,546,663,576	888,446,507	1.36%	4,442,233	Comanche	130,338,156	-	0.00%	-
Atchison	859,704,010	11,670,042	1.34%	58,350	Decatur	215,426,414	-	0.00%	-
Harvey	1,873,230,759	24,207,467	1.28%	121,037	Edwards	211,278,763	-	0.00%	-
Ford	1,572,382,340	20,085,030	1.26%	100,425	Elk	124,900,778	-	0.00%	-
Pratt	748,860,738	9,075,000	1.20%	45,375	Graham	210,611,584	-	0.00%	-
Sedgwick	30,107,166,538	336,776,227	1.11%	1,683,881	Gray	465,395,665	-	0.00%	-
Gove	247,771,381	2,754,750	1.10%	13,774	Greeley	134,372,483	-	0.00%	-
Cherokee	882,534,430	9,457,970	1.06%	47,290	Greenwood	322,842,122	-	0.00%	-
Geary	1,646,646,801	17,631,781	1.06%	88,159	Hamilton	169,318,031	-	0.00%	-
Clay	532,674,612	5,244,930	0.98%	26,225	Haskell	386,261,238	-	0.00%	-
Stevens	428,611,005	3,926,360	0.91%	19,632	Jefferson	1,081,544,529	-	0.00%	-
Barton	1,378,160,121	11,813,000	0.85%	59,065	Jewell	223,185,367	-	0.00%	-
Mitchell	423,223,685	3,570,410	0.84%	17,852	Kearny	353,342,360	-	0.00%	-
Neosho	724,416,951	5,902,187	0.81%	29,511	Kingman	516,903,848	-	0.00%	-
Brown	732,152,668	5,708,960	0.77%	28,545	Kiowa	308,186,238	-	0.00%	-
Grant	648,784,420	4,922,000	0.75%	24,610	Lane	165,671,656	-	0.00%	-
Bourbon	580,554,417	4,218,968	0.72%	21,095	Leavenworth	4,511,553,582	-	0.00%	-
Crawford	1,612,757,185	11,476,725	0.71%	57,384	Linn	933,463,656	-	0.00%	-
Sherman	425,250,144	2,841,180	0.66%	14,206	Logan	271,918,171	-	0.00%	-
Montgomery	1,707,197,628	10,575,936	0.62%	52,880	Meade	391,510,166	-	0.00%	-
Nemaha	763,744,316	4,261,220	0.55%	21,306	Morris	397,147,143	-	0.00%	-
Ellsworth	468,869,193	2,605,077	0.55%	13,025	Morton	245,749,310	-	0.00%	-
Trego	227,679,415	1,254,130	0.55%	6,271	Ness	280,687,854	-	0.00%	-
Labette	757,734,909	4,146,110	0.54%	20,731	Norton	277,511,545	-	0.00%	-
Phillips	272,597,592	1,267,010	0.46%	6,335	Osborne	229,030,124	-	0.00%	-
Doniphan	568,979,974	2,603,140	0.46%	13,016	Ottawa	380,564,824	-	0.00%	-
Thomas	621,418,858	2,690,730	0.43%	13,454	Rawlins	220,881,107	-	0.00%	-
Pottawatomie	2,556,856,646	10,979,223	0.43%	54,896	Scott	406,138,322	-	0.00%	-
Douglas	8,692,409,310	36,886,021	0.42%	184,430	Sheridan	245,933,803	-	0.00%	-
Marion	662,084,790	2,423,540	0.36%	12,118	Smith	218,276,031	-	0.00%	-
Seward	1,302,443,888	4,730,880	0.36%	23,654	Stafford	345,224,088	-	0.00%	-
Harper	459,693,291	1,647,050	0.36%	8,235	Stanton	184,563,989	-	0.00%	-
Allen	666,542,853	2,262,440	0.34%	11,312	Wabaunsee	483,561,526	-	0.00%	-
Jackson	666,569,139	1,757,940	0.26%	8,790	Wallace	180,153,096	-	0.00%	-
Saline	3,574,697,713	9,178,200	0.26%	45,891	Washington	401,263,580	-	0.00%	-
Pawnee	372,578,588	946,540	0.25%	4,733	Wichita	193,175,981	-	0.00%	-
Ellis	2,313,151,287	3,846,200	0.17%	19,231	Woodson	163,513,409	-	0.00%	-
Riley	4,452,687,051	7,358,480	0.16%	36,792	Statewide	205,322,248,564	2,825,841,011	1.36%	14,129,205

EXEMPT PROPERTY
Appraised Value

County	2016 Total Appraised	Exempt	% of Total	County	2016 Total Appraised	Exempt	% of Total
Logan	271,918,171	220,893,530	44.82%	Miami	2,532,144,889	334,455,971	11.67%
Stevens	428,611,005	284,555,706	39.90%	Stafford	345,224,088	44,836,830	11.49%
Montgomery	1,707,197,628	929,662,600	35.26%	Sherman	425,250,144	54,612,194	11.38%
Jackson	666,569,139	280,051,280	29.58%	Clay	532,674,612	67,870,900	11.30%
Riley	4,452,687,051	1,493,044,958	25.11%	Seward	1,302,443,888	165,636,809	11.28%
Morton	245,749,310	78,006,690	24.09%	Smith	218,276,031	27,565,555	11.21%
Atchison	859,704,010	257,160,130	23.03%	Hodgeman	160,041,047	20,172,510	11.19%
Marion	662,084,790	191,989,770	22.48%	Lane	165,671,656	20,733,980	11.12%
Harvey	1,873,230,759	533,523,180	22.17%	Brown	732,152,668	91,302,740	11.09%
Cowley	1,520,177,937	393,477,218	20.56%	Allen	666,542,853	83,020,890	11.08%
Crawford	1,612,757,185	412,776,280	20.38%	Kearny	353,342,360	43,611,940	10.99%
Neosho	724,416,951	179,890,800	19.89%	Pratt	748,860,738	91,243,300	10.86%
Saline	3,574,697,713	882,272,790	19.80%	Elk	124,900,778	15,183,480	10.84%
Ford	1,572,382,340	386,569,470	19.73%	Hamilton	169,318,031	20,459,480	10.78%
Bourbon	580,554,417	132,354,249	18.57%	Morris	397,147,143	47,683,320	10.72%
Butler	4,343,892,859	914,746,970	17.40%	Sumner	1,359,083,865	161,392,631	10.61%
Scott	406,138,322	84,542,570	17.23%	Greenwood	322,842,122	37,230,702	10.34%
Anderson	464,939,563	96,429,270	17.18%	Gray	465,395,665	53,296,070	10.28%
Ellsworth	468,869,193	96,509,240	17.07%	Comanche	130,338,156	14,902,460	10.26%
Jefferson	1,081,544,529	219,559,780	16.87%	Wabaunsee	483,561,526	53,134,810	9.90%
Osage	853,214,487	160,148,390	15.80%	Pottawatomie	2,556,856,646	276,246,025	9.75%
Wyandotte	7,342,244,854	1,303,029,100	15.07%	Reno	3,373,147,193	353,105,915	9.48%
Clark	146,507,157	25,845,620	15.00%	Decatur	215,426,414	22,404,250	9.42%
Labette	757,734,909	132,691,380	14.90%	Stanton	184,563,989	18,815,346	9.25%
Douglas	8,692,409,310	1,519,739,200	14.88%	Rush	209,238,731	21,046,760	9.14%
Dickinson	1,147,710,310	199,619,610	14.82%	Greeley	134,372,483	13,229,210	8.96%
Pawnee	372,578,588	63,597,800	14.58%	Ness	280,687,854	27,574,230	8.95%
Mitchell	423,223,685	71,461,124	14.45%	Cheyenne	200,673,860	19,620,600	8.91%
Ellis	2,313,151,287	387,185,170	14.34%	Cherokee	882,534,430	84,425,870	8.73%
Lyon	1,719,858,764	287,843,710	14.34%	Rawlins	220,881,107	20,709,700	8.57%
Trego	227,679,415	37,764,465	14.23%	Haskell	386,261,238	35,039,930	8.32%
Leavenworth	4,511,553,582	730,981,357	13.94%	Marshall	715,549,924	64,237,130	8.24%
Franklin	1,430,759,686	231,760,820	13.94%	Linn	933,463,656	81,798,620	8.06%
Geary	1,646,646,801	266,572,739	13.93%	Johnson	64,546,663,576	5,594,852,550	7.98%
Kiowa	308,186,238	49,527,515	13.85%	Meade	391,510,166	32,554,040	7.68%
McPherson	2,362,598,984	379,207,600	13.83%	Gove	247,771,381	20,585,000	7.67%
Norton	277,511,545	44,048,500	13.70%	Harper	459,693,291	37,937,050	7.62%
Shawnee	10,493,144,602	1,659,774,400	13.66%	Rice	587,227,601	47,855,520	7.54%
Finney	2,484,636,623	392,256,730	13.63%	Edwards	211,278,763	16,680,590	7.32%
Barton	1,378,160,121	212,601,660	13.36%	Graham	210,611,584	16,299,820	7.18%
Woodson	163,513,409	25,141,050	13.33%	Washington	401,263,580	29,630,981	6.88%
Wilson	471,245,599	72,114,598	13.27%	Cloud	489,386,685	36,099,899	6.87%
Rooks	324,211,250	48,995,349	13.13%	Wallace	180,153,096	12,556,300	6.52%
Sedgwick	30,107,166,538	4,511,869,489	13.03%	Coffey	1,757,117,172	121,565,970	6.47%
Kingman	516,903,848	77,455,020	13.03%	Sheridan	245,933,803	14,667,530	5.63%
Chase	227,395,058	32,661,633	12.56%	Ottawa	380,564,824	22,454,570	5.57%
Russell	437,743,065	62,213,100	12.44%	Barber	406,075,359	22,741,840	5.30%
Chautauqua	156,163,412	22,074,410	12.38%	Wichita	193,175,981	10,207,794	5.02%
Nemaha	763,744,316	107,672,150	12.36%	Republic	315,615,806	16,529,720	4.98%
Thomas	621,418,858	87,423,970	12.33%	Jewell	223,185,367	10,999,600	4.70%
Grant	648,784,420	89,247,360	12.09%	Lincoln	229,619,461	10,854,120	4.51%
Doniphan	568,979,974	77,751,260	12.02%	Osborne	229,030,124	9,628,480	4.03%
Phillips	272,597,592	37,098,610	11.98%	Statewide	205,322,248,564	30,046,690,902	12.77%