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HOUSE OF
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Testimony to the House Taxation Committee
In support of HB2367
By Representative Rich Proehl, Co-Chairman of the Joint
Legislative Transportation Vision Task Force
March 13, 2019

Chairman Johnson and Committee Members

Thank you for the opportunity to provide testimony in support of HB2367.

The Joint Legislative Transportation Vision Task Force heard from many local officials, nearly 400 local input conferees in all, and at least 10 percent of them shared their challenges at finding sufficient moneys to address local transportation needs. They noted funding for county roads and bridges came 74 percent from local funds, 19 percent from the Special City and County Highway Fund, and 7 percent from federal funds, including the federal funds exchange program, and they discussed increasing costs for many things in their budgets, all squeezing moneys available for transportation needs. An example of those transportation needs is bridge replacement, as many bridges have exceeded their expected 50-year lifespans but are not capable of carrying the increased loads modern agriculture puts on them. Counties are responsible for 115,000 miles of roads and 18,050 bridges; cities are responsible for 17,000 miles and 1,250 bridges. Counties are replacing on average only 115 bridges a year; if that rate is continued, counties will be faced with closing about half of them over the next 50 years. Although some of those bridges can be replaced for \$150,000 each, the Kansas Association of Counties' local road engineer reported an average replacement value of \$417,000.

The League of Kansas Municipalities provided a brief history of the demand transfers, and those histories show a parallel with the Legislature's history of sales tax transfers to the State Highway Fund: make a promise, break that promise some years later and keep moneys for the State General Fund. Conferees pushing for finishing T-Works projects urged the State to keep its promises. This bill would take a step toward keeping promises to local governments and empowering them to choose and address their most pressing transportation needs.

Attached is an article on "The Impact of Demand Transfer Losses."

The Impact of Demand Transfer Losses

By Chardae Caine, Research Associate, League of Kansas Municipalities

The Kansas Legislature continues to implement budget and tax policies with negative repercussions on local governments' finances. The property tax lid demonstrates this through requiring a city or county to hold an election for any increase in property tax revenue collected at a rate higher than inflation, as measured by the Consumer Price Index (CPI). While a majority of cities are attempting to delay the need for an election by making budget adjustments, other cities needed to hold an election. Similarly, the legislature's decision to not fund demand transfers over the past 15 years is another example of the influence state decisions have on local governments and the services that can be provided to Kansas residents.

Since 2001, cities and counties in Kansas have lost at least \$2,591,533,883 as a result of the State's decision not to fund demand transfers. It is very important to note that while some of these monies are often referred to as "state aid" in budget documents, the history of these funds does not support that classification. The LATVRF and the CCRS funds (explained below) were part of an agreement between the State and local governments that involved the loss of revenue sources in exchange for the establishment of these funds. The past 18 years are illustrated on data tables provided with this document.

Reduction in LAVTRF

Fiscal Year	Statute	Actual	Loss
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
2014	\$88,644,600	\$0	\$88,644,600
2015	\$90,203,785	\$0	\$90,203,785
2016	\$96,519,286	\$0	\$96,519,286
2017	\$96,940,047	\$0	\$96,940,047
2018	\$99,759,907	\$0	\$99,759,907
Total Through FY 2018:	\$1,395,694,101	\$135,066,000	\$1,260,628,101

LAVTRF (Local Ad Valorem Property Tax Reduction)

Established under K.S.A. 79-2959, LAVTRF is currently supposed to transfer 3.63% of state sales and use taxes to cities and counties. Revenue sharing in this manner dates to the 1930s with the current statutory framework being established in 1965. At that time, the local share of certain cigarette revenue stamp taxes and cereal malt beverage taxes were rolled into the state general fund and a direct transfer was made into the LAVTRF to replace the loss of these funds (Kansas Session Laws, Chapter 530, 1965). Since 2001, Kansas cities and counties have not received \$1,260,628,101 in LAVTRF funding.

CCRS (County City Revenue Sharing)

Established under K.S.A. 79-2964, CCRS is supposed to transfer 2.823% of state sales and use taxes to cities and counties. CCRS was established in 1978 as part of an agreement between the State and local governments regarding several different taxes. In particular, the local share of cigarette and liquor enforcement tax revenues was traded for the establishment of the CCRS (Kansas Session Laws, Chapter 401, 1978). Since 2001, Kansas cities and counties have not received \$1,006,713,076 in CCRS revenue sharing.

Reduction in CCRS

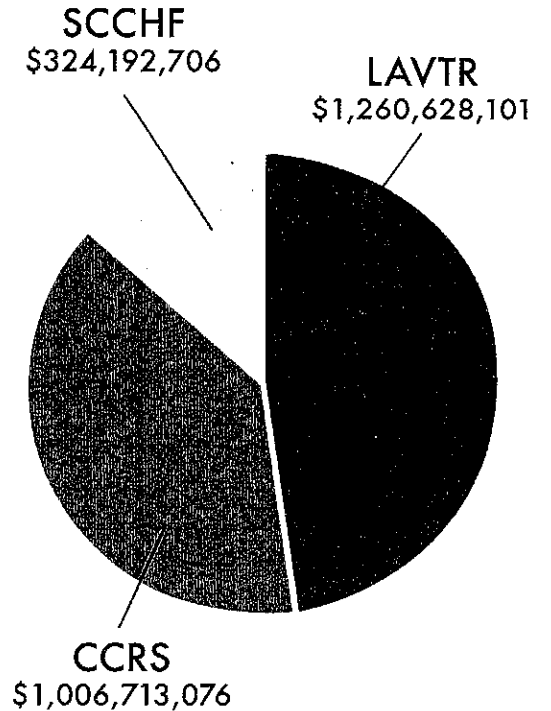
Fiscal Year	Statute	Actual	Loss
2001	\$46,004,000	\$34,531,000	\$11,473,000
2002	\$46,901,000	\$34,876,000	\$12,025,000
2003	\$47,868,000	\$16,741,000	\$31,127,000
2004	\$51,564,063	\$0	\$51,564,063
2005	\$53,422,952	\$0	\$53,422,952
2006	\$56,609,567	\$0	\$56,609,567
2007	\$57,920,881	\$0	\$57,920,881
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
2014	\$68,937,660	\$0	\$68,937,660
2015	\$70,150,216	\$0	\$70,150,216
2016	\$75,061,693	\$0	\$75,061,693
2017	\$75,388,912	\$0	\$75,388,912
2018	\$77,581,878	\$0	\$77,581,878
Total Through FY 2018:	\$1,092,861,076	\$86,148,000	\$1,006,713,076

SCCHF (Special City-County Highway Fund)

Established under K.S.A. 79-3425(I), this portion of the Special City-County Highway Fund is funded by the motor vehicle property tax. The other portion of SCCHF is funded by the motor fuels tax and transfers from that portion of the fund have not been reduced to date. Since 2001, Kansas cities and counties have not received \$324,192,706 in CCRS revenue sharing.

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Total of All Demand Transfer Losses Since 2001



Total:
\$2,591,533,883

Reduction in SCCHF

Fiscal Year	Statute	Actual	Loss
2001	\$18,068,010	\$10,343,000	\$7,725,010
2002	\$15,729,000	\$10,447,000	\$5,282,000
2003	\$19,498,652	\$10,063,000	\$9,435,652
2004	\$20,454,000	\$5,032,000	\$15,422,000
2005	\$22,056,000	\$10,064,000	\$11,992,000
2006	\$25,811,513	\$10,064,000	\$15,747,513
2007	\$29,031,000	\$10,064,000	\$18,967,000
2008	\$29,685,531	\$10,064,000	\$19,621,531
2009	\$22,000,000*	\$0	\$22,000,000
2010	\$22,000,000*	\$0	\$22,000,000
2011	\$22,000,000*	\$0	\$22,000,000
2012	\$22,000,000*	\$0	\$22,000,000
2013	\$22,000,000*	\$0	\$22,000,000
2014	\$22,000,000*	\$0	\$22,000,000
2015	\$22,000,000*	\$0	\$22,000,000
2016	\$22,000,000*	\$0	\$22,000,000
2017	\$22,000,000*	\$0	\$22,000,000
2018	\$22,000,000*	\$0	\$22,000,000
Total Through FY 2018:	\$400,333,706	\$76,141,000	\$324,192,706