

To: Senate Assessment and Taxation

From: Trey Cocking, Deputy Director

Date: February 7, 2020

RE: Testimony in opposition to Senate Bill 294

Good Morning Madam Chair and Committee Members and thank you for allowing the League of Kansas Municipalities to testify in opposition to Senate Bill 294.

I want to be very clear the League of Kansas Municipalities and our member cities support transparency. However, the Utah model has serious issues. The bill before us, SB 294, represents flawed policy, and SB 294 is unsound from an implementation point.

The Utah model has been touted by both the Tax Foundation and the American Legislative Exchange Council as a method to control property taxes. According to <http://www.richstatespoorstates.org/which> ranks property taxes per \$1,000 of personal income, property taxes range from a low of \$14.08 in Alabama to the high of \$55.44 in New Hampshire, and Utah is currently at \$24.75 and Kansas is at \$31.54.

Instead of gradual increases, Utah has seen steep property taxes as jurisdictions have exhausted reserves and have been left with no alternative but to raise taxes. In 2019, 83 of the estimated 700 taxing jurisdictions in that state raised taxes, and those increases ranged from .05% increase to 140.3% increase. The largest dollar increase resulted in \$245.29 increase to the property taxes of the average area home by one taxing entity.

The policy behind the Utah model is flawed. These types of bills encourage pennywise and pound-foolish choices from elected and appointed officials. Much like state officials, they will look to avoid increasing taxes so they will delay maintenance of equipment and infrastructure, spend down reserves, and make other short-sighted decisions. I can make ends meet this month by skipping the oil change on my car. I might be able to do it next month. But, if I do it for too many months, I will have to replace my engine at a much higher cost.

Although some have claimed that SB 294 is the Utah model, SB 294 is not the Utah model. The largest difference between this bill and the Utah law is that the Utah law allows for new growth. It

is essential that taxing entities be able to capture new growth in their tax revenue because there is almost always an increase in costs of service, including: 1. New roads 2. Need for additional police response 3. A need for fire response, inspections, and potentially equipment. Further, allowing for new growth encourages taxing entities to compete for those new subdivision, retail business, commercial business, and industrial business. If taxing entities are not allowed to utilize new growth, then closing the door to new development may become the path that many choose.

We are also concerned that SB 294 does not do anything to address the annual increases that occur because of the 21.5 mills that are controlled by the legislature. In Overland Park, for instance, the city levies 12% of the property tax bill and the state-controlled portion makes up 18% of the tax bill.

SB 294 is also unsound from an implementation point. The first four paragraphs create a complicated and bureaucratically intensive process for determining if a Truth-in-Taxation hearing is needed. The first four paragraphs could be simply replaced by saying any taxing entity that increases the dollar amount of property tax levied has to follow the procedure for a Truth-in-Taxation hearing.

SB 294 calls for publishing the notice in the official county newspaper; this can be a costly measure and will not increase awareness of the public hearing. *The Derby Informer* is the official newspaper in Sedgwick County. The paper is published and circulated 38 miles away from the City of Mount Hope located in northern part of Sedgwick County.

The bill requires that a notice be sent by the County Clerk with information about each Truth-in-Taxation Hearing. This would result in multiple notices being sent to each property owner that will be confusing and potentially ignored. The bill allows only one hearing to be conducted at a time; there are 89 separate taxing entities in Sedgwick County, 60 different taxing entities in Johnson County.

SB 294 requires the vote on the increase in taxes occur at the same meeting as the public hearing. This will prevent governing body members and staff from conducting any research on suggestions that may come from the public. The legislature typically has a hearing on one day and then works the bill on a separate day in order to have time for staff to research questions and for legislators to follow up and research comments. This is good public policy and prevents rash decisions.

A refund is also required for any amount of tax collected over the certified rate if they do not adopt an ordinance or resolution following a hearing. The section creates a problem since many properties' valuations are still under appeal on August 1, and the final valuation number is in flux. If a taxing entity receives a \$1 over the certified amount, then they will be required to figure out to how divide and return the money to each taxpayer creating a costly procedure.

We will continue to work with the committee to find solutions to improve the lives of Kansans; however, SB 294 is not the right solution for Kansas, and we ask the committee to not report this bill out of Committee.

2019 Property Tax Hikes in Utah

83 local governments raised them this year

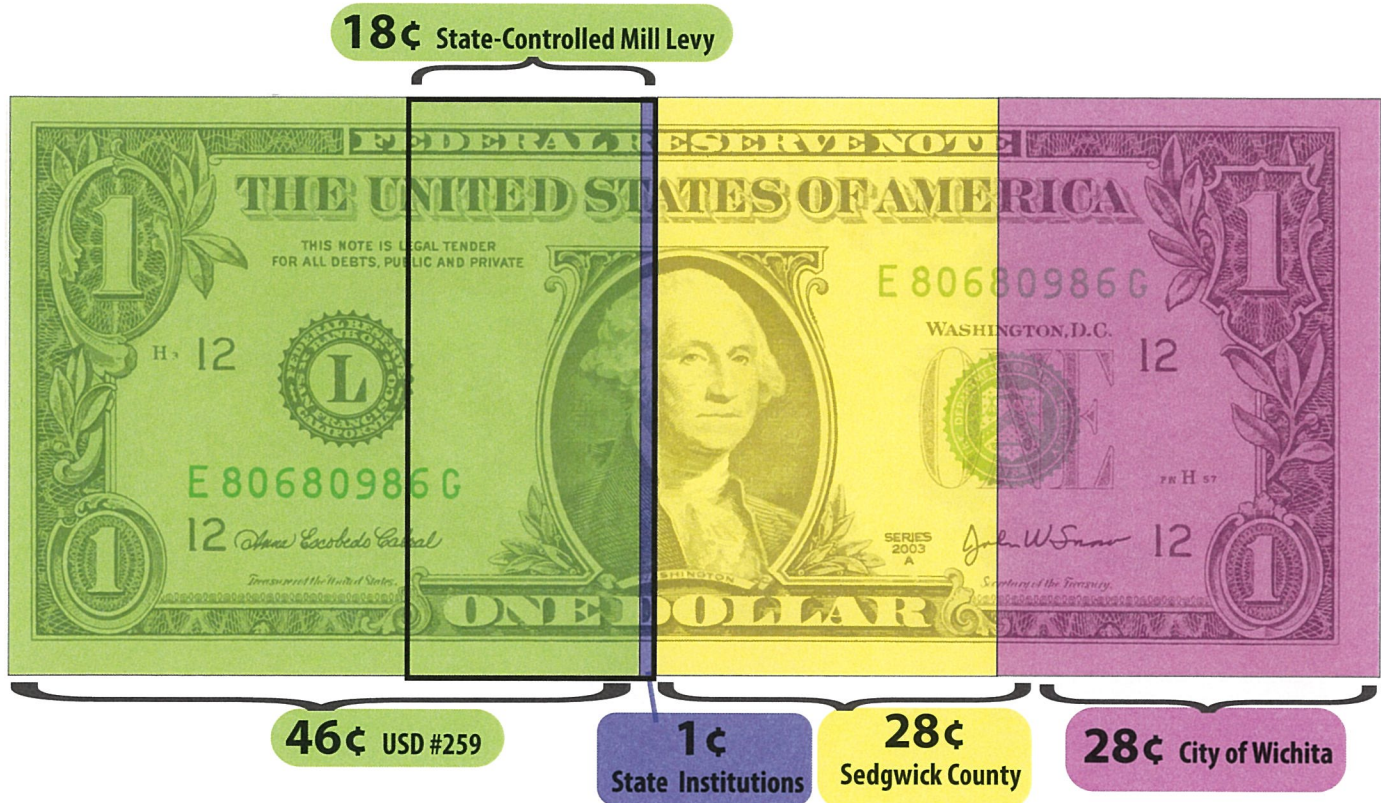
Entity	Tax hike on average-value home in area	Increase by percentage
Wasatch County School District	\$245.29	13.6%
Interlaken (town in Wasatch County)	\$211.73	55.6%
Brigham City	\$189.15	69.4%
Canyons School District	\$140.32	9.4%
South Weber	\$136.62	99.9%
Hideout (town in Wasatch County)	\$131.68	96.6%
Alpine	\$129.68	32.9%
Mantua	\$127.38	24.4%
Woodland Hills	\$124.05	10.7%
Murray School District	\$122.91	12.3%
Providence (town in Cache Valley)	\$118.68	53.2%
Salina	\$117.40	55.0%
Park City School District	\$115.16	7.0%
Joseph (town in Sevier County)	\$86.91	130.5%
Charleston (town in Wasatch County)	\$83.81	104.2%
Washington Terrace	\$80.07	26.1%
Jordan School District	\$77.54	5.9%
Diamond Valley Fire Special District (Washington County)	\$74.95	New
Cache County School District	\$73.59	6.1%
Cottonwood Heights Parks and Recreation Service Area	\$70.99	30.6%
Mendon	\$68.66	25.3%
Mountain Green Fire Protection District	\$67.30	90.5%
North Sanpete School District	\$65.04	9.9%
Davis County School District	\$58.74	4.2%
Smithfield	\$56.81	29.1%
Daggett County School District	\$55.06	15.1%
South Summit Fire Protection District	\$54.10	140.3%
Sandy	\$53.42	22.0%
Newton	\$51.18	29.1%
Bluffdale	\$48.95	12.0%
Hyde Park	\$45.46	28.8%
Grapevine Wash Local District	\$43.12	New
Layton	\$41.26	17.0%
Stansbury Recreation Service Area of Tooele County	\$38.56	22.8%
Stansbury Greenbelt Service Area of Tooele County	\$37.77	22.3%
Alpine School District	\$35.04	3.1%
Nibley	\$32.55	19.2%
Beaver County	\$31.90	33.9%

Alta	\$30.86	3.6%
Wasatch County	\$30.69	7.8%
Millville	\$29.86	29.9%
Iron County School District	\$28.82	3.9%
Grand County School District	\$27.55	2.9%
Beaver County School District	\$27.43	5.9%
Tooele City	\$25.74	6.0%
Castle Valley Fire Protection District	\$23.82	56.6%
Kaysville	\$22.27	6.9%
Magna Water District	\$21.82	7.3%
Syracuse	\$21.25	7.1%
Spanish Fork	\$21.11	15.2%
Cornish Cemetery Maintenance District	\$20.59	50.0%
Randolph Cemetery Maintenance District	\$18.01	33.6%
Richmond	\$17.70	10.8%
Payson	\$16.21	10.0%
Lewiston	\$15.29	6.2%
Wellsville	\$13.43	10.0%
Morgan County School District	\$13.30	0.7%
Salt Lake City	\$12.86	1.6%
Salt Lake Valley Law Enforcement Service Area	\$12.67	3.0%
North Tooele City Special Service District	\$12.24	29.1%
Orem	\$11.96	6.1%
Genola	\$11.58	8.1%
Tooele County	\$11.45	4.8%
North Logan	\$11.44	4.8%
Wasatch County Special Service District No. 2	\$11.41	21.4%
North View Fire District	\$11.08	6.7%
Oak City	\$10.23	20.0%
West Point	\$9.63	6.8%
Tooele County Municipal Type Service fund	\$8.00	4.8%
Ogden, special levy to purchase WBWCD water	\$7.88	25.0%
Cornish	\$6.69	3.3%
North Tooele Fire Protection Service District	\$6.41	6.4%
Cache County	\$6.31	3.2%
Washington County Water Conservancy District	\$6.15	6.5%
Tooele County Assessing and Collecting Levy	\$6.12	9.8%
Magna Mosquito Abatement District	\$4.99	80.0%
Monticello Cemetery Maintenance District	\$4.53	28.3%
Wayne County School District	\$4.46	1.1%
Central Utah Water Conservancy District	\$4.45	5.8%
Wayne County	\$3.41	2.0%
Weber Area Dispatch 911 and Emergency Services District	\$3.11	9.1%
West Valley City	\$2.58	0.5%
Salt Lake City Library	\$0.83	0.5%

Source: Salt Lake Tribune analysis of Utah State Tax Commission data.

BREAKING DOWN THE PROPERTY TAX DOLLAR

From police officers who protect and serve to overseeing snow removal on roads and bridges, property taxes are a necessary investment for all Kansas communities. Here's a breakdown of how property taxes are distributed in Wichita.



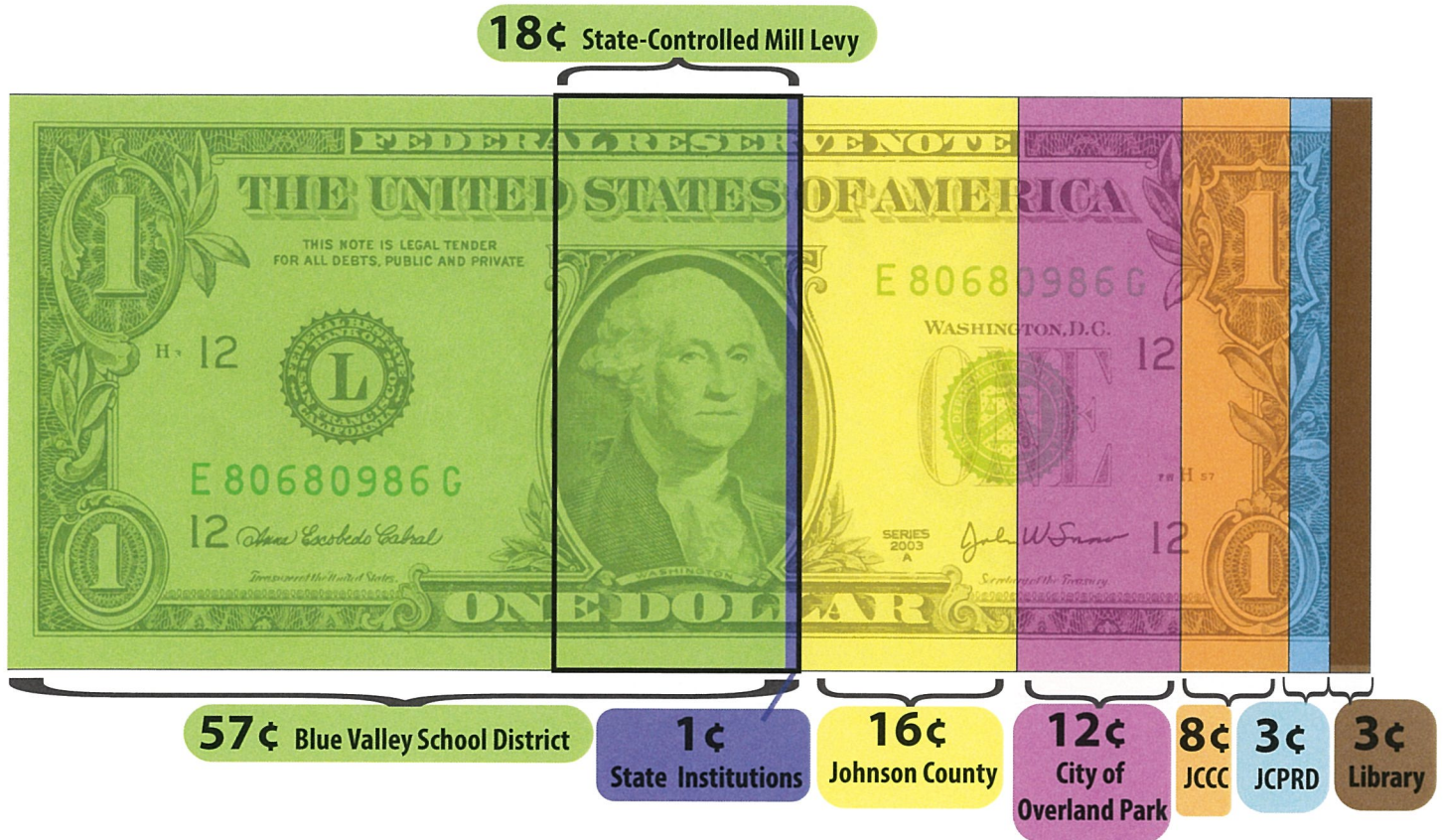
Maintaining a Qualified Workforce: Local government is a hands-on industry, requiring cities to deal with common concerns of retained qualified employees to serve as code enforcers, engineers, and laborers. Oftentimes, municipal employees earn less than their private sector counterparts. Cities may struggle in retaining needed and qualified employees.

Filling Potholes and Fixing Roads: In recent years, nearly 50% of the funding to maintain the local road system has been generated entirely from local governments' budgets. Even maintaining one mile of our local roads can cost about \$6,250.¹

Emergency Response: New fire trucks can cost anywhere from \$500,000 to \$1.2 million, which in some communities would be most of the property tax revenue collected by the city. Alternatively, the cost of a new police car could range anywhere, on average, from \$30,000 to \$50,000 depending on the emergency response and communication technology that is incorporated within the vehicle.

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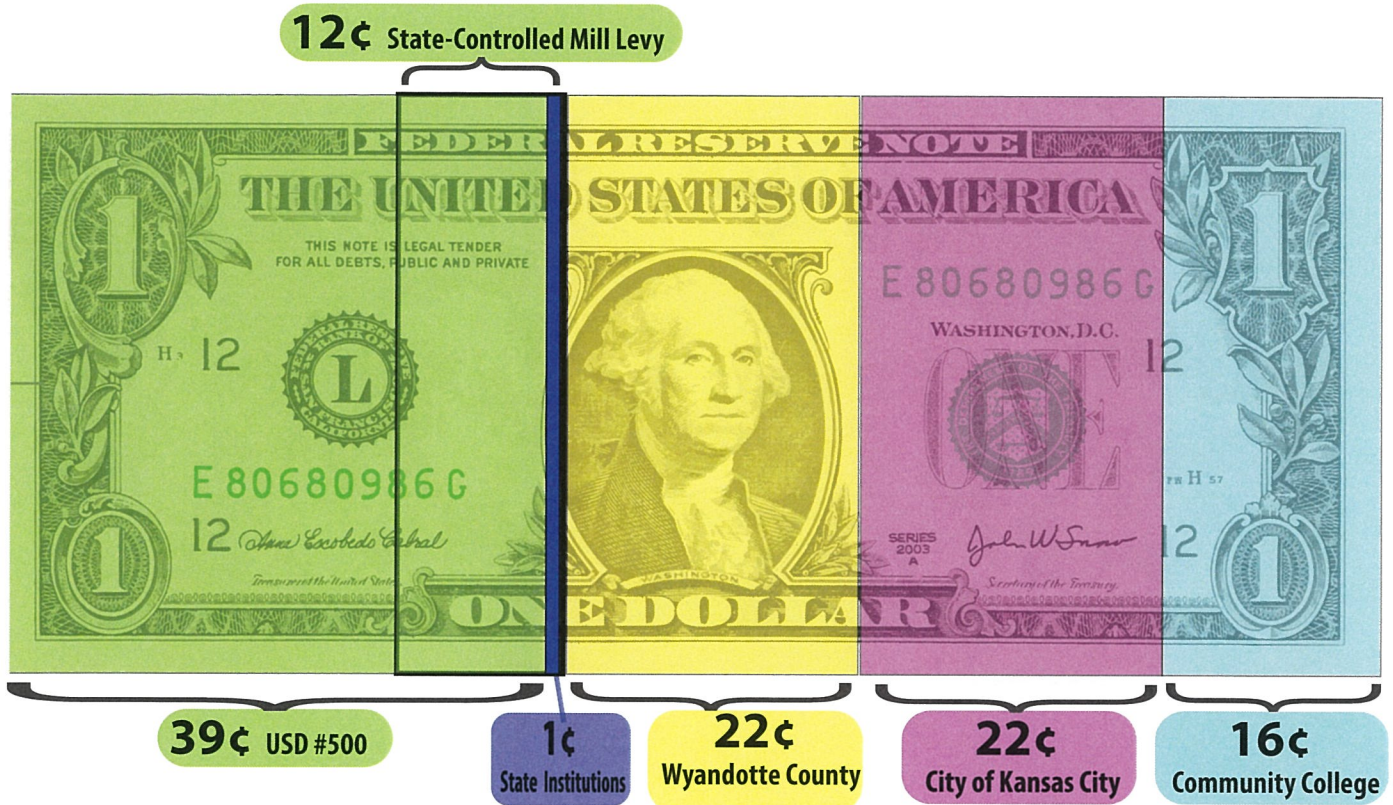
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Source:
1 www.ksdot.org/Assets/wwwksdotorg/pdf/QuickFacts.pdf

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From police officers who protect and serve to overseeing snow removal on roads and bridges, property taxes are a necessary investment for all Kansas communities. Here's a breakdown of how property taxes are distributed in Kansas City, Kansas.



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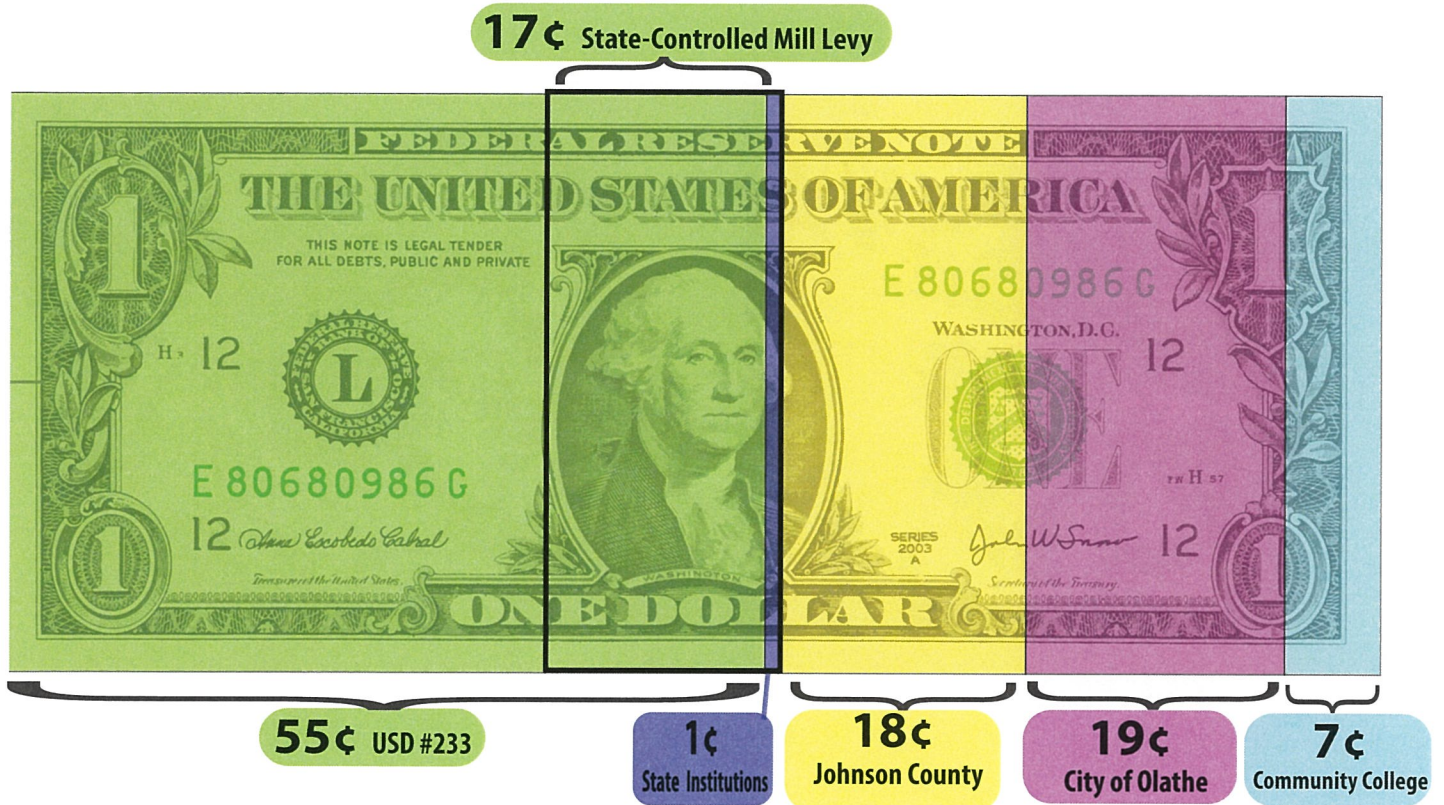
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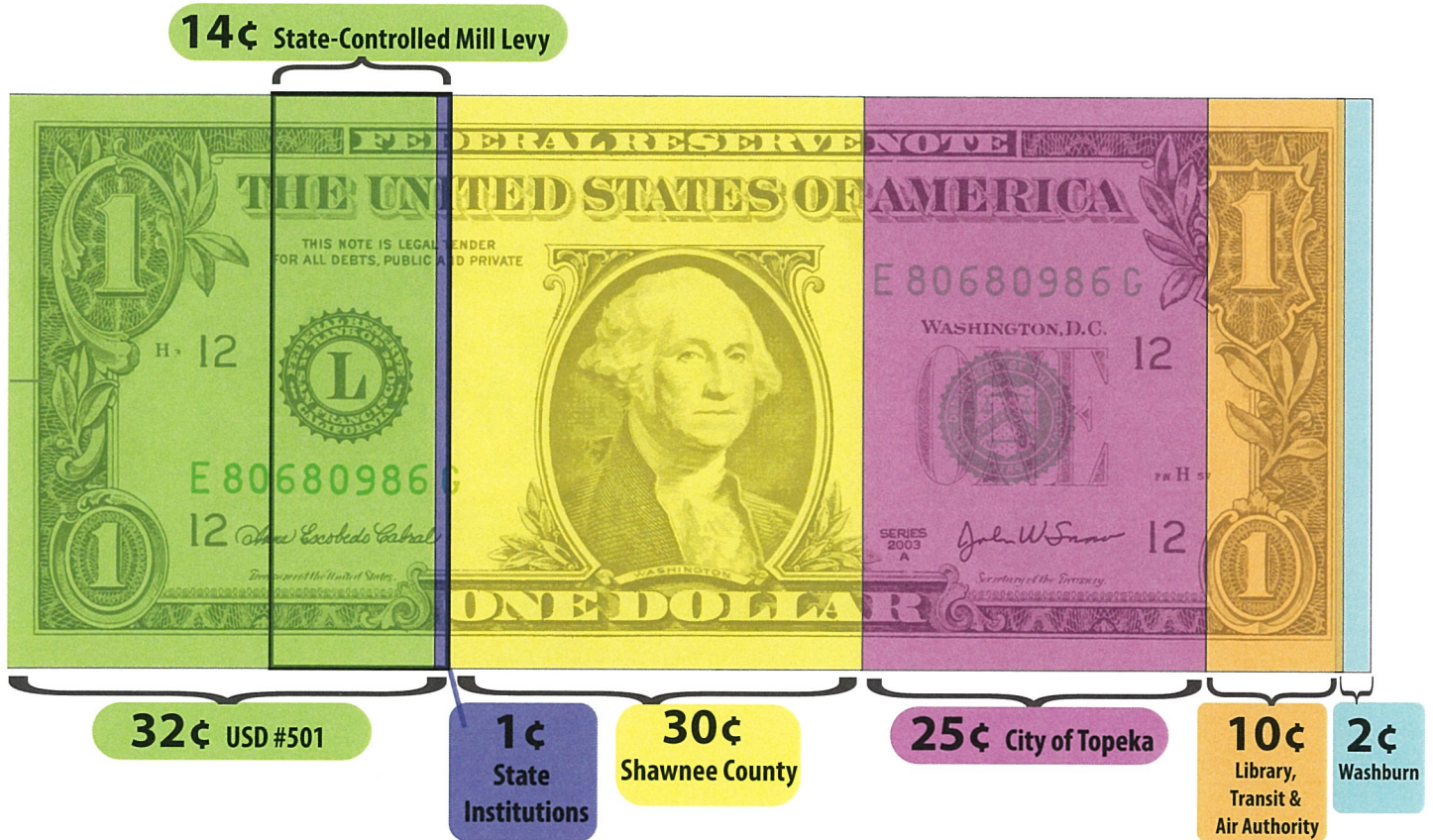
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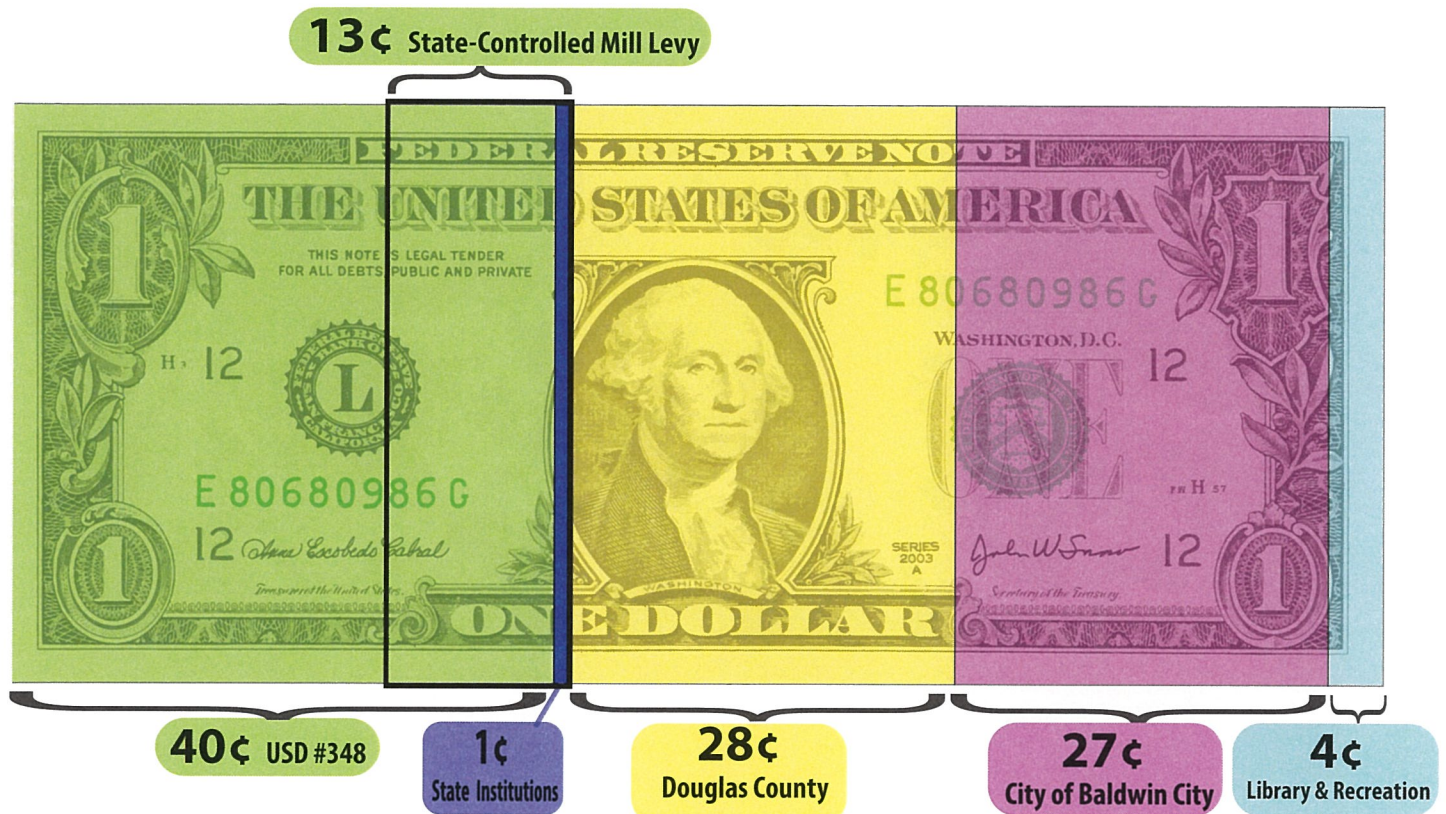
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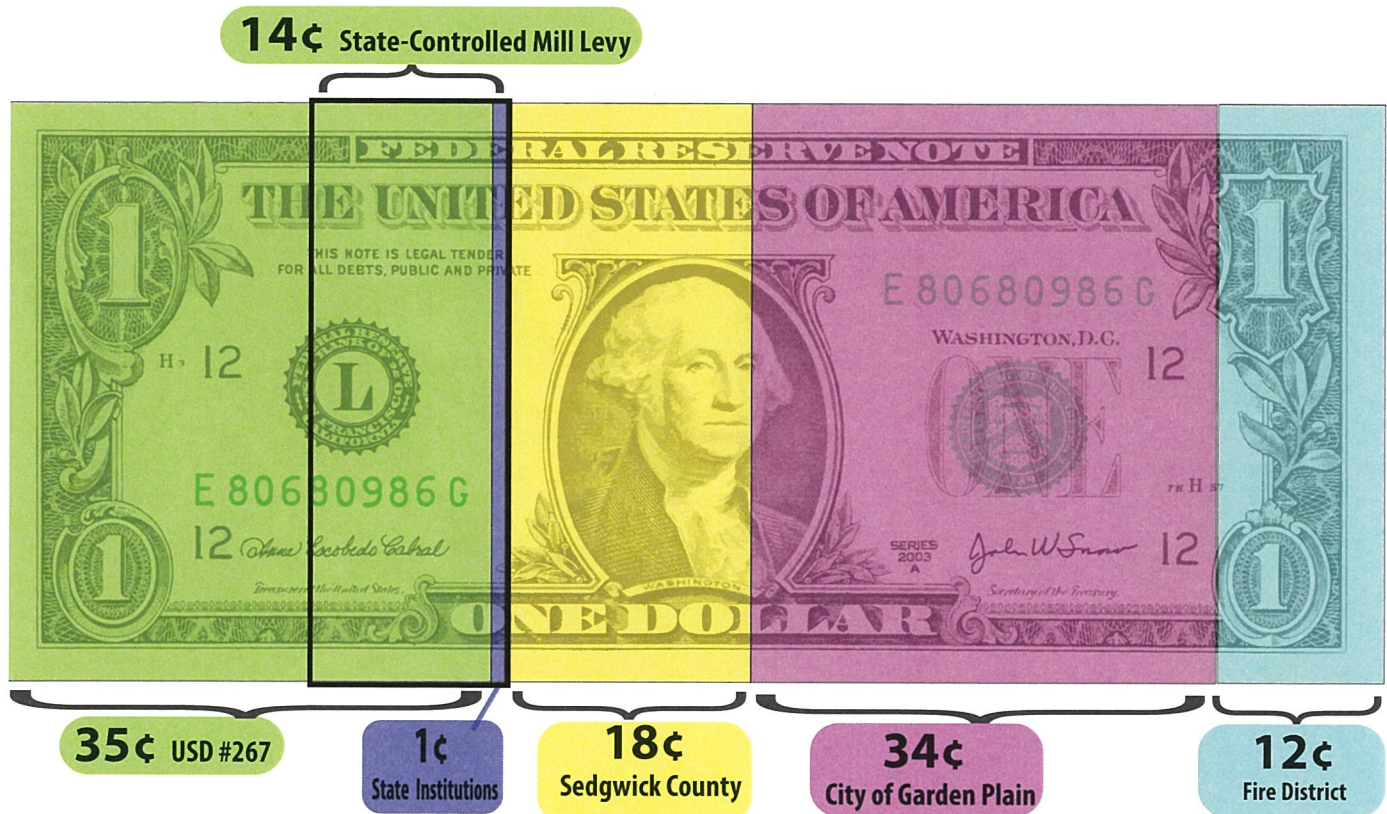
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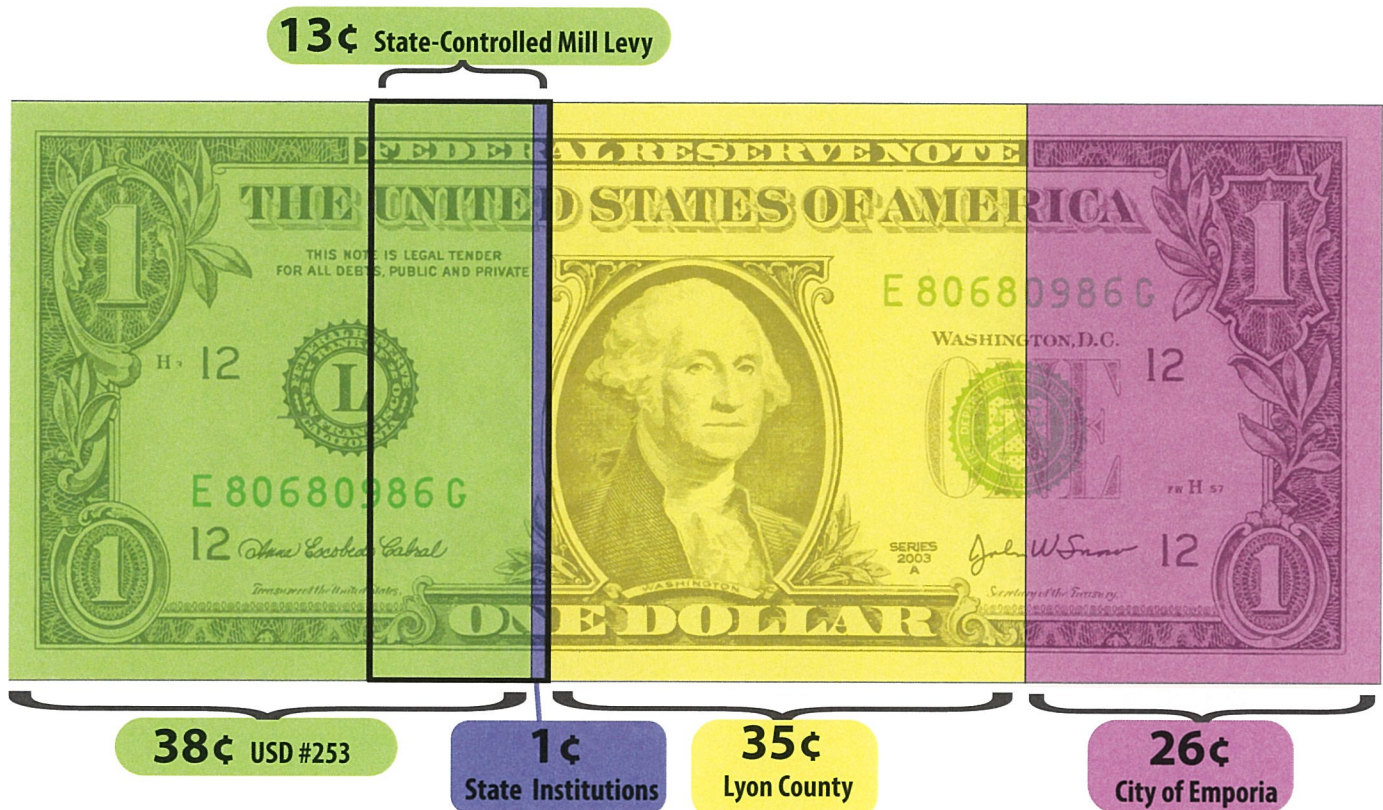
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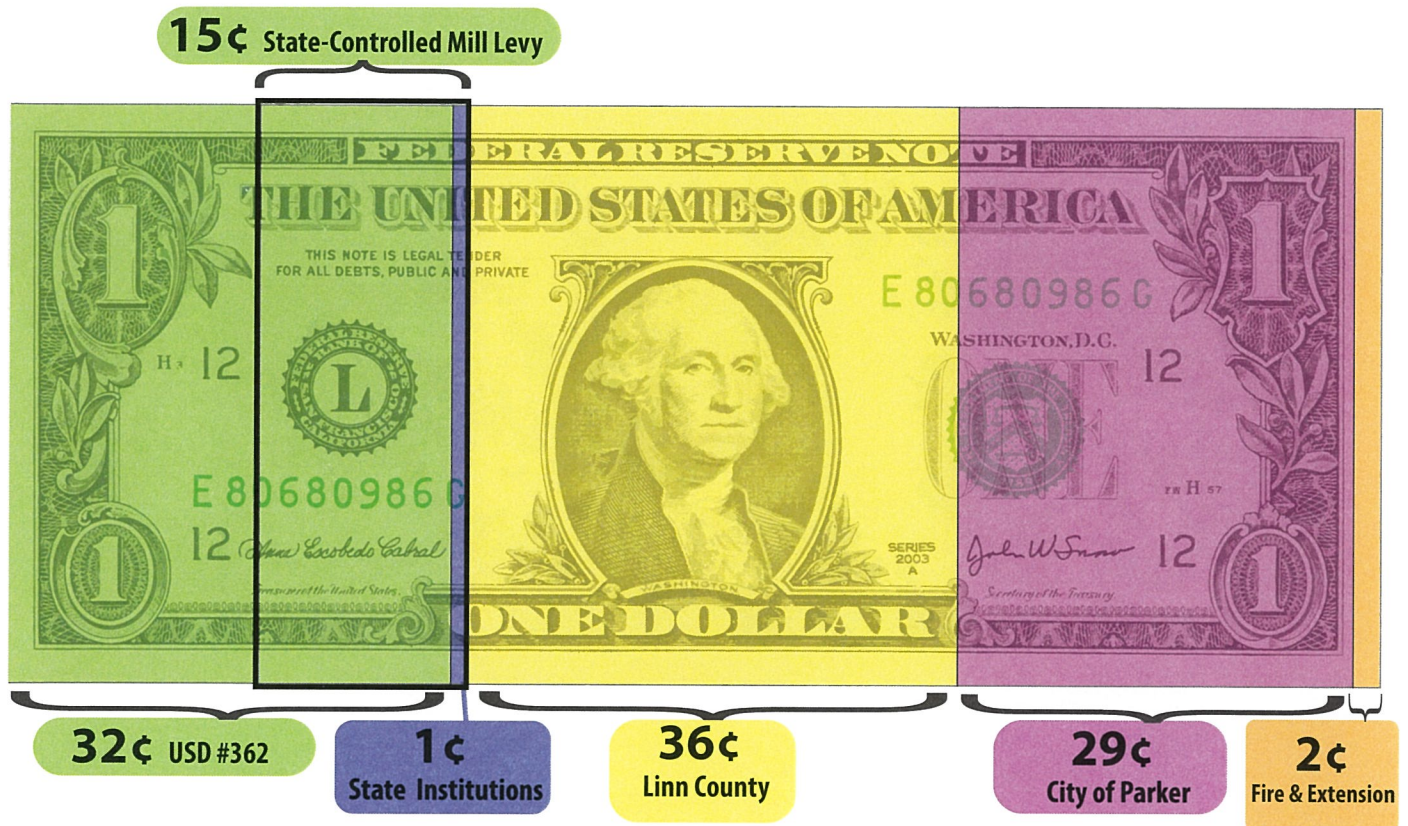
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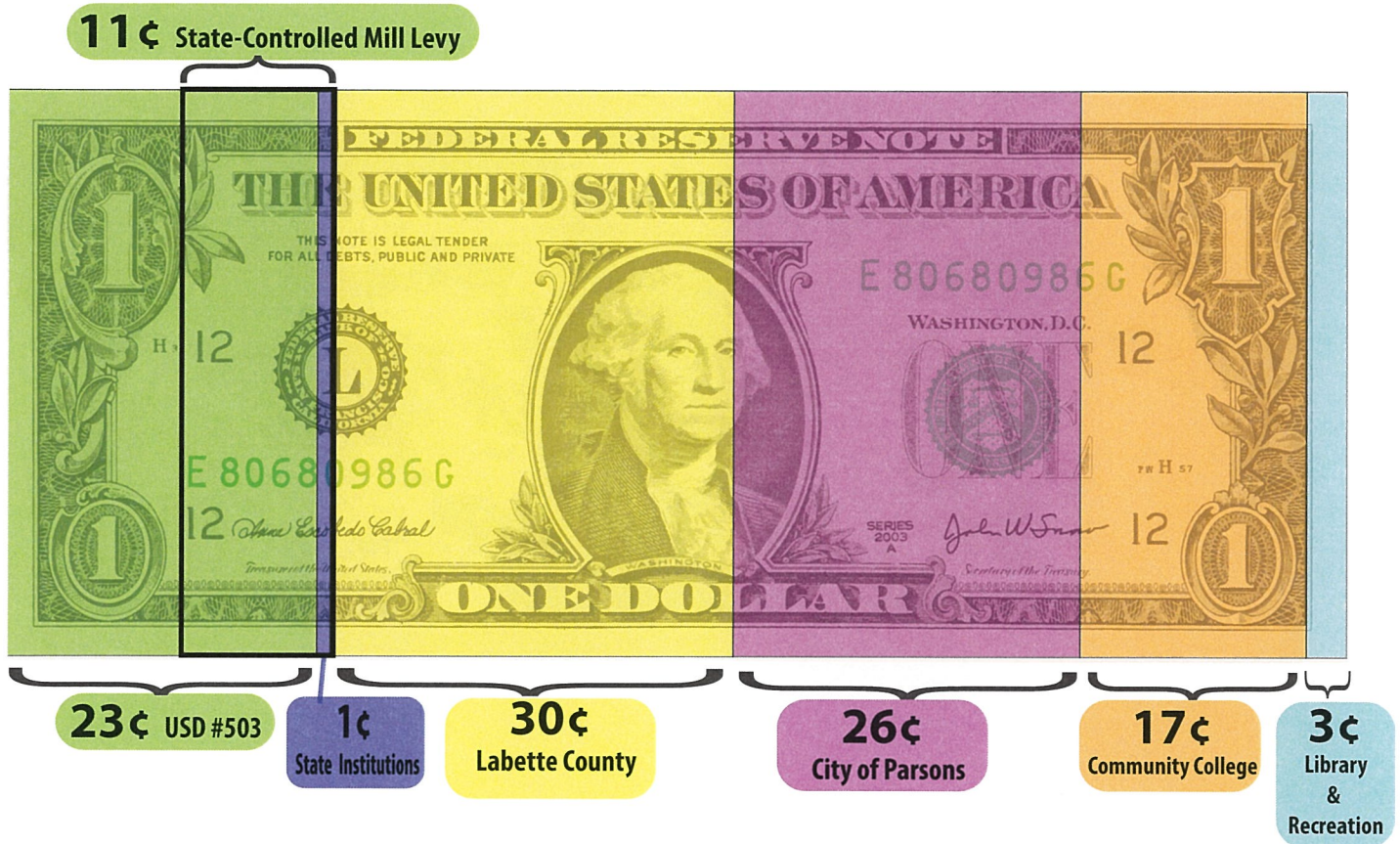
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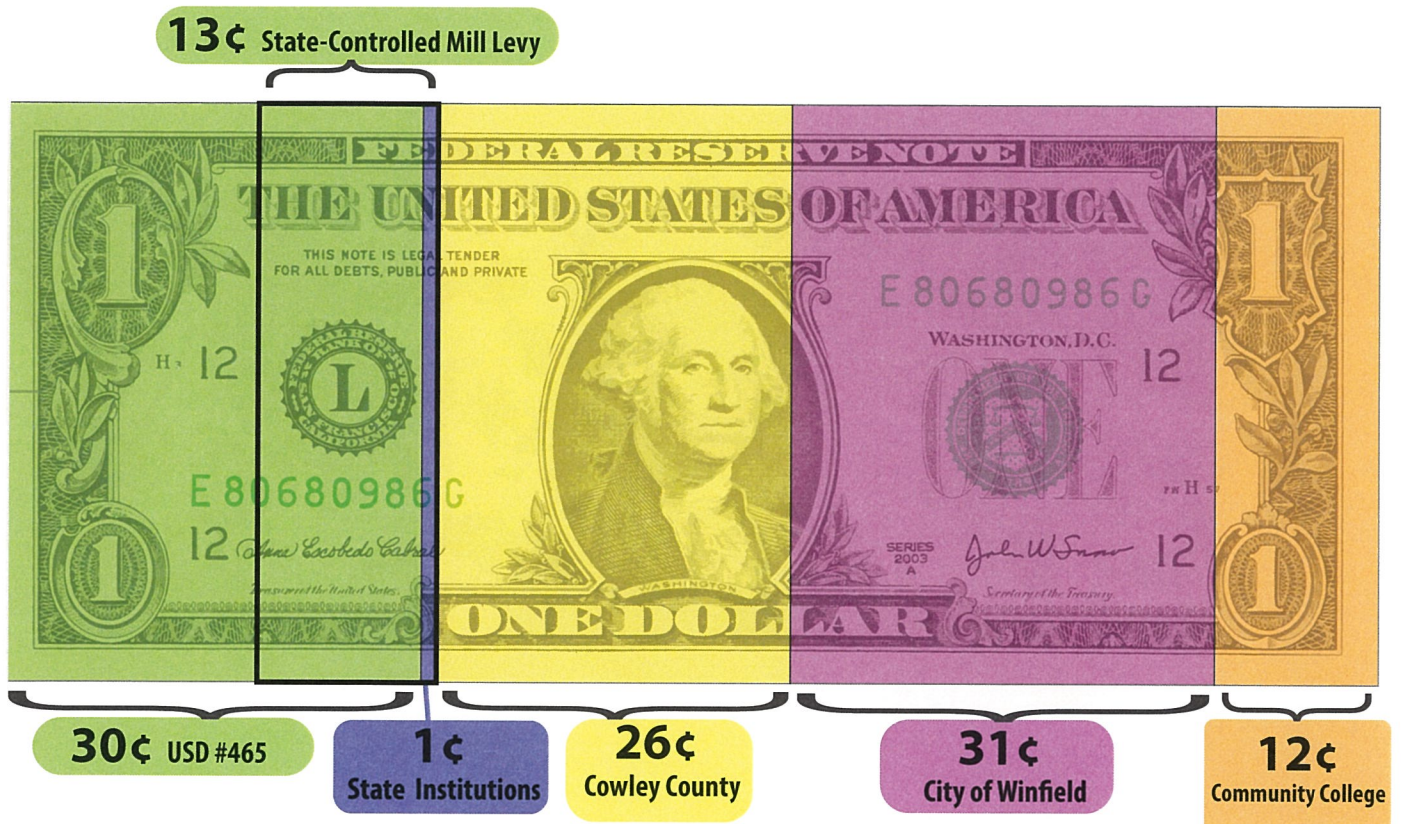
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