

To: Senate Assessment and Taxation Committee
From: Trey Cocking, Deputy Director
Date: January 12, 2021
RE: Neutral Testimony on SB 13

Good Morning Madam Chair and Committee Members and thank you for allowing the League of Kansas Municipalities to offer neutral testimony on the Senate Omnibus Property Tax Bill.

We want to take a moment and thank Chairwoman Tyson for her tireless work and dedication to this issue. We can all agree that increasing the taxpayer's understanding of how property tax dollars are spent, and which taxing entities are levying what taxes, is a good thing. The League and our member cities strongly support several provisions in this bill. The first is the call for greater transparency in property taxes. This fall, our members adopted the following statement:

We recognize in areas of the state there is a large reliance on property taxes to fund local and state government. All property taxing authorities, including cities, counties, the state, school districts, special districts, and community colleges should be equally transparent, and have to abide by the same limitations, restrictions and requirements. Any additional transparency measures should not be burdensome or costly. We encourage the state and local governments to work on making government more efficient and recognize the need to work together on innovative approaches to reduce reliance on property taxes. In addition, we call on the state to authorize alternative revenue options for local governments.

At the conclusion of last session, the League developed a taskforce to look at property taxes specifically because of important issues raised during the last two legislative cycles. The taskforce made the following recommendations that we believe complement the goals of this legislation and ask this committee to consider merging the proposed legislation with the proposal from our taskforce to create even stronger legislation:

- The creation of a new, annual notification procedure to include an informational piece to be sent to taxpayers before a public hearing is held. This one-piece notification would consolidate the required taxing jurisdictions and detail the base tax levy for each entity *and* show the proposed increase for the upcoming fiscal year.
- Include all taxing jurisdictions in the notification to be fully transparent. All property taxing authorities, including cities, counties, the state, school districts, special districts, and community colleges should be equally transparent.

- The county clerk could not remit ad valorem taxes to any taxing jurisdiction (except public schools) without ensuring the proper resolution and vote were completed. Schools are excluded to ensure compliance with the school finance formula.
- Require taxing jurisdictions to certify their ad valorem taxes for the upcoming fiscal year by October 25. (Previous statutory deadline is August 25). This allows time for public hearings required in the notification process; and finally
- Require the state's secretary of revenue to provide a property tax impact study to the legislature detailing a 10-year look back at property taxes in Kansas and neighboring states. The report would assess the impact of property taxes on state and local revenues, employment rates, and other factors deemed important. The report would be due to the legislature before the adjournment of the 2034 session.

We strongly feel all of these proposals share the same goal as the proposed legislation and that by working together, we can accomplish transparency reform with buy in from all interested parties.

In addition to increased transparency, the League strongly agrees with the proposal in the bill calling for a sunset on the property tax lid. The tax lid has been decried by both local governments and taxpayer advocates, and it makes sense to replace it with additional transparency.

Further, our Governing Body has also called for the ability of property owners to make monthly property tax payments and we support including this policy in this bill. We would strongly urge counties to make this option available to taxpayers.

While supportive of this bill's goals and many of its provisions the League and our members have some concerns that prevent us from endorsing the bill in its current form.

1. Guard Rails: There need to be guard rails established for costs that the county clerk can bill back to taxing entities for the preparation of statements. In addition, if the county is having a truth-in-taxation hearing, then the county should be liable for the costs since every parcel owner will receive a statement. The League has been working with the Kansas Association of Counties to limit the costs that can be reimbursed to printing, postage, and software costs, and we would ask that it be incorporated into the bill.
2. Refunds: The bill calls for a refund of tax payments if \$.01 is received over the amount of the "revenue neutral rate." Cities having to process checks for amounts less than the cost to process and mail them out is not fiscally responsible.
3. Vote by Governing Body: The bill requires governing bodies to vote at the same meeting as the truth-in-taxation hearing. We believe that this will not allow for time to research and review comments from the truth-in-taxation hearing.

4. Timing: July 15th is five and half months before the fiscal year starts; this timing does not allow generation of solid budget estimates. When there is uncertainty in a budget estimate it forces a city to underestimate revenues and overestimate expenses. This leads to a greater reliance on property taxes.

We would ask to work with the proponents of the legislation to come up with a mutually agreeable solution to further our common goals.

The last thing I want to touch on today is the use of property taxes by cities in Kansas. Kansas cities use property taxes primarily to fund police and fire. However, in most cases property taxes alone are not enough to fund the budgets of police and fire departments, and cities must use additional sources of revenue. Please look at the chart below to see the total amount of property tax in the 30 largest cities in Kansas and the budget for the police and fire departments.

City	Population	Total Property Tax	Police	Fire and EMS	Total Public Safety	Public Safety as % of All Property Tax
Wichita	389,877	\$122,851,005	\$93,827,914	\$50,051,558	\$143,879,472	117%
Overland Park	191,011	\$53,857,400	\$39,647,952	\$26,347,007	\$65,994,959	123%
Unified Gov	164,861	\$101,317,128	\$93,750,053	\$61,004,869	\$154,754,922	153%
Olathe	137,618	\$49,374,488	\$30,737,372	\$20,324,729	\$51,062,101	103%
Topeka	126,397	\$45,465,595	\$40,949,961	\$28,752,171	\$69,702,132	153%
Lawrence	96,369	\$36,335,256	\$27,391,000	\$24,604,000	\$51,995,000	143%
Shawnee	65,540	\$25,976,257	\$17,542,800	\$9,879,600	\$27,422,400	106%
Manhattan	55,290	\$29,058,590	\$17,681,392	\$7,498,795	\$25,180,187	87%
Lenexa	54,011	\$36,983,743	\$16,944,213	\$12,096,796	\$29,041,009	79%
Salina	46,998	\$13,315,656	\$10,166,523	\$10,665,669	\$20,832,192	156%
Hutchinson	40,914	\$13,679,417	\$9,715,788	\$9,021,510	\$18,737,298	137%
Leavenworth	36,064	\$6,964,499	\$7,396,543	\$4,852,346	\$12,248,889	176%
Leawood	34,670	\$24,951,639	\$11,058,800	\$8,432,400	\$19,491,200	78%
Dodge City	27,555	\$7,604,975	\$5,443,733	\$2,509,709	\$7,953,442	105%
Garden City	26,647	\$8,156,601	\$9,930,936	\$3,615,795	\$13,546,731	166%

City	Population	Total Property Tax	Police	Fire and EMS	Total Public Safety	Public Safety as % of All Property Tax
Emporia	24,607	\$7,280,911	\$4,504,478	\$6,164,833	\$10,669,311	147%
Derby	24,067	\$11,427,055	\$5,352,483	\$2,036,697	\$7,389,180	65%
Junction City	23,104	\$8,424,463	\$6,621,210	\$6,329,518	\$12,950,728	154%
Prairie Village	22,170	\$8,459,481	\$7,468,483	Fire District	\$7,468,483	88%
Gardner	21,528	\$4,151,734	\$4,916,200	Fire District	\$4,916,200	118%
Hays	20,899	\$5,669,894	\$2,448,360	\$1,562,099	\$4,010,459	71%
Pittsburg	20,171	\$6,959,910	\$5,809,425	\$3,065,848	\$8,875,273	128%
Liberal	19,731	\$6,285,134	\$3,909,600	\$1,578,500	\$5,488,100	87%
Newton	18,877	\$7,820,504	\$5,002,998	\$5,633,173	\$10,636,171	136%
Great Bend	15,358	\$5,617,334	\$3,061,000	\$3,084,000	\$6,145,000	109%
Andover	13,062	\$6,763,034	\$2,432,760	\$1,432,997	\$3,865,757	57%
McPherson	13,054	\$6,518,609	\$3,172,782	\$2,618,995	\$5,791,777	89%
El Dorado	12,988	\$4,926,767	\$2,610,516	\$1,786,945	\$4,397,461	89%
Ottawa	12,260	\$4,750,050	\$2,784,042	\$1,768,199	\$4,552,241	96%
Winfield	12,085	\$3,905,378	\$3,091,407	\$3,569,931	\$6,661,338	171%

We thank you for the opportunity to provide testimony today and ask to be included in the process moving forward as this important and necessary work moves through the legislative process.