

To: Governor's Tax Committee
From: Trey Cocking, Deputy Director
Date: January 29, 2021
RE: Testimony on SB 13

Happy Kansas Day and good afternoon Chairman and Committee Members. Thank you for allowing the League of Kansas Municipalities time to discuss SB 13.

We 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. 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 across Kansas, and it makes sense to replace it with additional transparency. We believe that the sunset of the tax lid promotes the tenets of local control that our state strongly values.

Last year after HB 2702 was passed by the legislature, our Governing Body, composed of city officials from around the state, reviewed the bill and voted unanimously to request that the Governor veto the bill. However, this year's bill is different. Two key changes differentiate SB 13 from last year's bill: 1) This bill contains a consolidated notice that includes all taxing entities including the State of Kansas. 2) This bill also has a formula for division of costs of the notices based on the number of parcels, and what costs can be passed on to local units of government.

Further, after discussion with the proponents, one of the key changes the bill makes is that exceeding of the mill levy known as the revenue neutral rate will trigger the notice provisions and refund provisions in SBS 13. Traditionally in Kansas, cities have not set a mill levy. The city determines the total dollars needed and the county clerk converts that total dollar amount to a mill levy based on the final total assessed valuation for the city. Under SB 13, the city will now be given a mill levy at the beginning of the budget cycle by the county clerk in June known as the revenue neutral rate. The notice provisions and refund provisions in SB 13 are only triggered if the final tax levy by the city expressed in mills exceeds the revenue neutral mill levy. While this shift to the levying of a mill instead of simply a total dollar amount, is a big change, hopefully it will increase the taxpayers' understanding of how taxes are levied.

We believe that the following amendments would create a better bill:

1. Timing: July 15th is five and half months before the fiscal year starts; this timing limits the quality 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.

2. Distribution of costs: Although the provision for the distribution of costs for notices does appear to reflect legislative intent that the costs are to be shared in proportion to the total property tax levied by each taxing jurisdiction, we have already had questions on what the language means. Whenever there appears to be ambiguity in a statute, it opens the door to future possible litigation over the meaning of the statute. Because of that, we would ask that this provision be amended so that the language is easy to understand and so that there is absolutely no question over how the costs of the notice are to be shared. This request does not change the underlying intent of the cost provision but would be very beneficial when teaching the new provision to city and county officials.
3. Implementation date: We have been told by representatives of the Kansas Association of Counties (KAC) and the Kansas County Clerks and Election Officials Association (KCCEOA) that it is very difficult to implement this bill this year. They have been in contact with their software vendors that have indicated that it would be problematic to have the software updated in time to produce the notices this year. We are also concerned with our ability to teach city officials the procedure for this new policy this year. We would ask that the tax transparency portion of the bill be implemented in 2022.

We have asked the proponents of the legislation to sit down with the stakeholders to develop a mutually agreeable solution to further our common goals.

SB 13 is based on the Utah model that 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 \$14.65 in Alabama to the high of \$57.90 in New Hampshire, and Utah is currently at \$24.29 and Kansas is at \$32.20.

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 largest difference between SB 13 and the Utah law is that the Utah law allows for new growth. Further, allowing for new growth encourages taxing entities to compete for those new subdivision, retail business, commercial business, and industrial business. If taxing entities perceived they are not allowed to utilize new growth, then closing the door to new development may become the path that many choose.

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

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% |

| | | | | | | |
|---------------------------------|--------|--------------|-------------|---------------|--------------|------|
| 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.