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To: House Taxation Committee  
Date: March 6<sup>th</sup>, 2019  
Subject: Neutral Testimony on HB 2345.

Honorable Chairman Johnson and members of the House Taxation Committee:

On behalf of the Kansas Association of REALTORS® (KAR), thank you for the opportunity to provide comments on the provisions of HB 2345, which would add an exemption to the public vote requirement under K.S.A. 79-2925c.

KAR represents nearly 10,000 members involved in residential, agricultural and commercial real estate and has advocated on behalf of the state's property owners for over 95 years. REALTORS® serve an important role in the state's economy and are dedicated to working with our elected officials to create better communities by supporting economic development, a high quality of life and providing affordable housing opportunities while protecting the rights of private property owners.

### **Guiding Policy**

REALTORS® believe that the private ownership of real property is the foundation of our nation's free enterprise system and we adamantly oppose any governmental actions that discourage or diminish the ability and capacity of Kansas citizens to own private property.

Further, we maintain that every citizen should have the right to acquire real property with the confidence and certainty that the value of such property will not be unreasonably diminished by governmental action, including excessive taxation. REALTORS® believe that real estate is burdened with an excessive share of the constantly increasing cost of state and local government. While we realize the importance of many programs funded through property tax revenues, we believe tax revenues should be equitably collected from a variety of sources and encourage taxing jurisdictions to consider the negative impact to the housing market associated with any potential increase in property tax rates.

### **Background on Public Vote Requirement**

In 2015 and 2016, the Kansas Legislature passed legislation giving voters the ability to weigh in on certain city and county budget increases. Encouraged by strong public support<sup>1</sup>, KAR advocated for this legislation because

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<sup>1</sup> In October of 2015, American Strategies, a bipartisan national polling firm, conducted a statewide poll of 600 likely 2016 general election voters on the property tax vote requirement. According to the findings of this poll, 76 percent of likely Kansas voters supported the property tax vote requirement. Virtually all Republicans (84 percent) favored the new law as did most independents (78 percent) and Democrats (61 percent).

we support policies that give citizens a greater voice in decisions impacting their tax burden. As such, we support policies that put calls for increases in revenue to a public vote.

During the 2016 Session, proponents and opponents reached consensus on several exemptions. Significant concessions were made to accommodate legitimate concerns of local government and many opportunities to increase budgets without having to have a public vote were added to the law.

Below is a summary of the existing exemptions to the public vote requirement of K.S.A. 79-2925c(a)(1)

#	Summary of budget increases exempt from public vote requirement of K.S.A. 79-2925c(a)(1)	Statute Citation
1	Previous year's budget adjusted to reflect 5 year average of CPI increase	K.S.A. 79-2925c(a)(1)
2	Revenue from construction of new structures or improvements or remodeling of any existing structures or improvements on real property	K.S.A. 79-2925c(b)(1)(A)
3	Revenue from increased personal property valuation	K.S.A. 79-2925c(b)(1)(B)
4	Revenue from real property located within an added jurisdiction	K.S.A. 79-2925c(b)(1)(C)
5	Revenue attributed to real property that has changed in use	K.S.A. 79-2925c(b)(1)(D)
6	Revenue from the expiration of abatement	K.S.A. 79-2925c(b)(1)(E)
7	Revenue from the expiration of a TIF district, RHID district, neighborhood revitalization area, or similar property tax rebate or redirection program	K.S.A. 79-2925c(b)(1)(F)
8	Revenue spent on certain debts	K.S.A. 79-2925c(b)(2)(A)
9	Revenue spent on special assessments	K.S.A. 79-2925c(b)(2)(B)
10	Revenue spent on court judgements or settlements and related costs	K.S.A. 79-2925c(b)(2)(C)
11	Revenue spent on certain federal and state mandates	K.S.A. 79-2925c(b)(2)(D)
12	Revenue spent on federal, state or local disasters	K.S.A. 79-2925c(b)(2)(E)
13	Increased cost above CPI for law enforcement, fire protection, and EMS (but not for construction or remodeling of buildings K.S.A. 79-2925c(b)(3))	K.S.A. 79-2925c(b)(2)(F)
14	Increased revenue in response to a decline in property tax revenue	K.S.A. 79-2925c(b)(4)(A)-(B)
15	Revenue levied for other political or government subdivisions	K.S.A. 79-2925c(b)(5)
16	PUBLIC VOTE	K.S.A. 79-2925c(a)(1)

**HB 2345**

HB 2345 would add an additional exemption to the public vote requirement under K.S.A. 79-2925c which would provide that:

- (b) A resolution by the governing body of a city or county otherwise required by the provisions of this section shall not be required to be approved by an election required by subsection (a) under the following circumstances: ...

*(6) The amount of funding for the appropriation or budget does not exceed the highest level of funding for such appropriation or budget of any of the next preceding seven calendar years, adjusted to reflect changes in the consumer price index for all urban consumers as published by the United States department of labor since the year having the highest level of funding of the next preceding seven calendar years.*

This exemption essentially allows a city or county the ability to look back to the previous seven years of budgets and adjust their proposed budget to a previous high water mark within the past seven years, without having to have a public vote.

It has been argued that a local government has a disincentive to lower its budget under K.S.A. 79-2925c based upon a use-it-or-lose-it rationale. Currently under the law, once the local government submits a budget increase for a vote, and the voters approve, the local government has essentially created a new budget threshold with no requirement for a budget drawdown after those funds are raised and spent.

Under the look-back provision of this bill, the local government could increase the budget through a vote, and then decrease the budget for a number of years without losing their previous voter-approved, max budget ceiling.

In reviewing proposals for additional exemptions, KAR considers whether the exemption will make it easier to increase property taxes. If the answer is yes, then we are unlikely to be supportive. The exemption considered in HB 2345 only makes a budget increase easier, if preceded by a budget decrease.

HB 2345 could make cities and counties more inclined to lower their budgets after a peak year without concern of a ratcheting down effect from K.S.A. 79-2925c. Furthermore, cities and counties might be encouraged to pass along isolated budget savings to taxpayers or momentarily offset property tax revenue with one-time or fluctuating revenue sources.

In conclusion, KAR does not oppose this effort to remove K.S.A. 79-2925c's perceived barrier to lowering city and county budgets. Thank you for your time and consideration of our testimony.

Respectfully submitted,



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