

To: House Taxation Committee
From: Trey Cocking, Deputy Director
Date: January 25, 2021
RE: Neutral Testimony on SB 13

Good Afternoon Chairman and Committee Members and thank you for allowing the League of Kansas Municipalities to offer neutral testimony on SB 13.

We want to take a moment and thank Senate Chairwoman Tyson for her tireless work and dedication to this issue. 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, the bill in front of you today is a different bill with two key changes that differentiate SB 13 from last year's bill: 1) 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 the triggering of the notice provisions and refund provisions in SBS 13 is the exceeding of a mill levy known as the revenue neutral rate. 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.

There is a path where all parties could come together and create a piece of legislation that works for everyone in our state. 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 would ask the proponents of the legislation to sit down with the stakeholders to develop a mutually agreeable solution to further our common goals.

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
<u>Wichita</u>	389,877	\$122,851,005	\$93,827,914	\$50,051,558	\$143,879,472	117%
<u>Overland Park</u>	191,011	\$53,857,400	\$39,647,952	\$26,347,007	\$65,994,959	123%
<u>Unified Gov</u>	164,861	\$101,317,128	\$93,750,053	\$61,004,869	\$154,754,922	153%
<u>Olathe</u>	137,618	\$49,374,488	\$30,737,372	\$20,324,729	\$51,062,101	103%
<u>Topeka</u>	126,397	\$45,465,595	\$40,949,961	\$28,752,171	\$69,702,132	153%
<u>Lawrence</u>	96,369	\$36,335,256	\$27,391,000	\$24,604,000	\$51,995,000	143%
<u>Shawnee</u>	65,540	\$25,976,257	\$17,542,800	\$9,879,600	\$27,422,400	106%
<u>Manhattan</u>	55,290	\$29,058,590	\$17,681,392	\$7,498,795	\$25,180,187	87%
<u>Lenexa</u>	54,011	\$36,983,743	\$16,944,213	\$12,096,796	\$29,041,009	79%
<u>Salina</u>	46,998	\$13,315,656	\$10,166,523	\$10,665,669	\$20,832,192	156%
<u>Hutchinson</u>	40,914	\$13,679,417	\$9,715,788	\$9,021,510	\$18,737,298	137%
<u>Leavenworth</u>	36,064	\$6,964,499	\$7,396,543	\$4,852,346	\$12,248,889	176%
<u>Leawood</u>	34,670	\$24,951,639	\$11,058,800	\$8,432,400	\$19,491,200	78%
<u>Dodge City</u>	27,555	\$7,604,975	\$5,443,733	\$2,509,709	\$7,953,442	105%
<u>Garden City</u>	26,647	\$8,156,601	\$9,930,936	\$3,615,795	\$13,546,731	166%
<u>Emporia</u>	24,607	\$7,280,911	\$4,504,478	\$6,164,833	\$10,669,311	147%
<u>Derby</u>	24,067	\$11,427,055	\$5,352,483	\$2,036,697	\$7,389,180	65%
<u>Junction City</u>	23,104	\$8,424,463	\$6,621,210	\$6,329,518	\$12,950,728	154%
<u>Prairie Village</u>	22,170	\$8,459,481	\$7,468,483	Fire District	\$7,468,483	88%
<u>Gardner</u>	21,528	\$4,151,734	\$4,916,200	Fire District	\$4,916,200	118%
<u>Hays</u>	20,899	\$5,669,894	\$2,448,360	\$1,562,099	\$4,010,459	71%
<u>Pittsburg</u>	20,171	\$6,959,910	\$5,809,425	\$3,065,848	\$8,875,273	128%
<u>Liberal</u>	19,731	\$6,285,134	\$3,909,600	\$1,578,500	\$5,488,100	87%
<u>Newton</u>	18,877	\$7,820,504	\$5,002,998	\$5,633,173	\$10,636,171	136%
<u>Great Bend</u>	15,358	\$5,617,334	\$3,061,000	\$3,084,000	\$6,145,000	109%

<u>Andover</u>	13,062	\$6,763,034	\$2,432,760	\$1,432,997	\$3,865,757	57%
<u>McPherson</u>	13,054	\$6,518,609	\$3,172,782	\$2,618,995	\$5,791,777	89%
<u>El Dorado</u>	12,988	\$4,926,767	\$2,610,516	\$1,786,945	\$4,397,461	89%
<u>Ottawa</u>	12,260	\$4,750,050	\$2,784,042	\$1,768,199	\$4,552,241	96%
<u>Winfield</u>	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.