



Chair Smith and Members of the Committee,

On behalf of the Americans for Prosperity Kansas Chapter, we appreciate this opportunity to submit testimony supporting HB 2815. HB 2815 abolishes the local ad valorem tax reduction fund and the county and city revenue sharing fund, discontinuing certain transfers to the special city and county highway fund and decreasing rate of ad valorem tax imposed by a school district.

1. HB 2815 supports local control.
2. LAVTRF is a moral hazard and subsidizes high property tax rates.
3. Property tax hikes were higher under LAVTRF than they are today.

HB 2815 supports local control.

“Local control” often refers to the degree of autonomy or decision-making authority granted to local entities, such as school districts or municipalities. A common belief among Kansans and policymakers is that local governments should have as much authority as possible over their affairs, policies, and administration.

HB 2815 supports local control by keeping local government financially independent from state government. HB 2815 entices local government officials to make decisions based not on the state government and its ability to transfer funds into LAVTRF but rather their constituents. Moreover, HB 2815 creates a standard and precedent that local issues should be solved at the local level.

LAVTRF is a moral hazard and subsidizes high property tax rates.

At a fundamental level, LAVTRF is a state subsidy for localities, providing a reliably steady source of revenue. While such an action may seem well intended, it creates a moral hazard. In economics, a “moral hazard” describes a situation that insulates one party from risk and, as a result, may act more irresponsibly because it does not have to bear the full consequences of its actions.

In this case, localities may be more prone to keeping property or sales tax burdens high on their residents because LAVTRF insulates them from the risk of residents leaving or commerce dropping. Similar situations, such as state subsidies for higher education, lead to higher tuition rates. Considering the intent to lower property tax rates, LAVTRF encourages local officials to do just the opposite.

Property tax hikes were higher under LAVTRF than they are today.

LAVTRF was last funded in 2003. Using the Kansas Department of Revenue’s annual report, we can see that county property taxes grew by an average of 7.5% in its last five years.¹ Property taxes in 2022, were 6.4% higher than last year.²

Moreover, LAVTRF, as written, has no enforcement mechanism to ensure localities lower property tax burdens. This confirms the presence of a “moral hazard.”

I urge the committee to pass HB 2815 for these reasons.

¹ Kansas Policy Institute, “Senate Commerce Informational Hearing”, 1/28/2020, http://kslegislature.org/li/b2019_20/committees/ctte_s_cmrce_1/documents/testimony/20200128_03.pdf

² Kansas Department of Revenue, “2023 Annual Report”, <https://www.ksrevenue.gov/pdf/ar23complete.pdf>