

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION

The meeting was called to order by Representative Jim Braden at
Chairperson

9:00 a.m./p.m. on February 14, 1984 in room 519S of the Capitol.

All members were present ~~except~~

Committee staff present:

Wayne Morris, Legislative Research Department
Tom Severn, Legislative Research Department
Don Hayward, Revisor of Statutes' Office
Nancy Wolff, Secretary to the Committee

Conferees appearing before the committee:

Ron Gaches, Kansas Chamber of Commerce and Industry
Marian Warriner, League of Women Voters
Chip Wheelan, Kansas Legislative Policy Group
John Blythe, Kansas Farm Bureau
Ernie Mosher, League of Kansas Municipalities
Bill Curtis, Kansas Association of School Boards
Todd Sherlock, Kansas Association of Realtors
Steve Wiechman, Kansas Association of Counties

The Chairman requested that Wayne Morris, of staff, give the committee an update on the status of the small business trust reappraisal case as is currently pending before the Board of Tax Appeals. (Exhibit I)

Ron Gaches, Kansas Chamber of Commerce, Inc., presented testimony in support of statewide reappraisal. (Exhibit II)

Marian Warriner, League of Women Voters of Kansas, gave testimony in support of Senate Bill 275. (Exhibit III)

Chip Wheelan, Kansas Legislative Policy Group, presented a Resolution from his group outlining their support of reappraisal. He did state that the Kansas Legislative Policy Group, Inc., opposes the use of a centralized computer system for the purposes of achieving a statewide reappraisal of property values. (Exhibit IV)

John Blythe, Kansas Farm Bureau, presented a statement in support of a statewide reappraisal. He gave copies of a report that his secretary had formulated from information available from KSU that could be used to formulate a the ratios necessary to appraise farm property within the state. (Exhibit V) Mr. Blythe also presented a proposed amendment to Senate Bill 275. (Exhibit VI)

Ernie Mosher, League of Kansas Municipalities, read F-6b. Administration, from the Statement of Municipal Policy for the League of Kansas Municipalities. (Exhibit VII)

Bill Curtis, Assistant Executive Director for the Kansas Association of School Boards, testified in support of S. B. 275. (Exhibit VIII)

Todd Sherlock, Kansas Association of Realtors, testified to support, in part, reappraisal of real property in the state of Kansas. (Exhibit IX)

Steve R. Wiechman, Kansas Association of Counties, presented testimony in support of Senate Bill 275, as amended. (Exhibit X)

The Chairman read the testimony of Janet Stubbs, Home Builders Association of Kansas, in support of Senate Bill 275. (Exhibit XI)

The Chairman also gave the members of the committee, copies of a January 28, 1984, article from the Omaha World-Herald regarding the Nebraska equalization of tax rates. (Exhibit XII)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ASSESSMENT AND TAXATION,
room 519S, Statehouse, at 9:00 a.m./~~p.m.~~ on February 14, 1984

The minutes of the meetings held on February 8, 1984, and February 9, 1984, were approved as printed.

The meeting was adjourned.

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

Room 545-N - Statehouse

Phone 296-3181

Date February 14, 1984

TO: REPRESENTATIVE JIM BRADEN Office No. 112-S
RE: STATUS OF THE SMALL BUSINESS TRUST REAPPRAISAL CASE

This memorandum is in response to your request for information on the status of the Small Business Trust case before the Board of Tax Appeals which seeks reappraisal.

As we have discussed, the case was filed in August with the Board in order that the complainants first exhaust their administrative remedies before seeking redress in the courts. Last fall the Board ruled that the case applies only to those counties in which there are complainants -- so the case at present only involves Sedgwick, Rice, and Ford counties. The complainant from Rice is former Senator Jack Janssen, whose case has been consolidated with the original Small Business Trust parties.

At the present time the parties are awaiting the Board's order regarding a motion made by the Department of Revenue. The Department is seeking an order prohibiting the complainants from using the state sales assessment ratio study in the case. A summary of the Department's position is that two statutes, K.S.A. 79-503a and 79-1437b, when read together, prohibit the use of the study as evidence in a case seeking reappraisal of all property in the state.

After the Board's order on that motion, the parties will engage in "discovery" or the gathering of evidence. It appears that a hearing before the Board may be had in April or May, with a decision by mid-summer. The Board's decision could be appealed to the Sedgwick County District Court by either party. After time for briefs, the case could be heard in the fall of 1984, with an order before the winter of 1984-85. The decision of the District Court could be appealed to the Kansas Supreme Court. Therefore, it might be possible that if appeals are taken all the way to the Kansas Supreme Court, there could be a decision by that Court sometime during the 1985 Session.

Representative Jim Braden - 2 -

In conclusion, then, it seems likely that a Supreme Court opinion regarding the issue of reappraisal as raised by the current case before the Board will not be decided for another year.

Wayne D. Morris

Wayne D. Morris
Principal Analyst

WDM/sdp

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the
Kansas State Chamber
of Commerce,
Associated Industries
of Kansas,
Kansas Retail Council

February 14, 1984

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

HOUSE ASSESSMENT AND TAXATION COMMITTEE

Presented by

Ronald N. Gaches, General Counsel
and Director of Taxation, KCCI

Thank you Mr. Chairman for this opportunity to appear before your Committee in support of statewide reappraisal.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

The Kansas Chamber of Commerce and Industry supports the enactment of SB 275, a bill to initiate statewide reappraisal of property. Returning fairness and equity to the property tax system is one of the most important tasks confronting state and local leadership in Kansas. Each year that reappraisal is delayed makes more difficult the task of upgrading old values to current fair market value.

The need for statewide reappraisal is well documented. Most real estate is no longer valued at its fair market value causing distortions in the distribution of tax burden and eroding the tax base of local units of government. These disparities exist within classes of property and between classes of property and must be resolved in order to restore some uniformity and credibility to the system.

The product of several years work by the House and Senate Tax Committees, and the subject of study for several interims, SB 275 is a very reasonable plan for statewide reappraisal. Key provisions are those that provide for regular updating of appraised values and those that impose penalties for failure to upgrade values. Protecting taxpayers from the uncertain results of taxing property based on old values should be a major concern of this Committee and the Legislature. Lessons learned from the current controversy surrounding reappraisal make it clear that this situation should not be permitted to reoccur.

The Kansas Chamber urges you to endorse and support this reappraisal plan, SB 275. It is essentially a data collection devise. No tax shifts will take place because of its passage or because of its implementation. Favorable action by this Committee can be the important first step in 1984 to resolving the conflicts and contradictions of our property tax system.

LWVK LEAGUE OF WOMEN VOTERS OF KANSAS

909 Topeka Boulevard-Annex

913/354-7478

Topeka, Kansas 66612

February 14, 1984

STATEMENT TO THE HOUSE ASSESSMENT AND TAXATION COMMITTEE

in support of SB 275

Mr. Chairman and Members of the Committee:

I am Marian Warriner speaking for the League of Women Voters of Kansas in support of SB 275.

The League of Women Voters continues to support reappraisal despite the threats of massive tax shifts--shifts we agree must not happen. Before the new values are entered into the books there must be action to mitigate the tax shift that will pass to residential and farm property tax payers.

Even recognizing these possible undesirable shifts we continue to support reappraisal for we feel it is important to have a well developed plan at hand, ready to go into action when--most people agree there is no longer any "if"--reappraisal is ordered by the courts. I put it in the context of a court order for I do not see the possibility of a legislative override of a certain gubernatorial veto.

The data gathered through reappraisal will show the shift in reality, specifically and locally as well as statewide. This information will be useful in refining whatever mitigation of hardship program is devised. Again the basic work can be done; the various options can be researched; the plan can be refined when the data is available.

Speaking to the bill, we give special endorsement to the following features among the many good ones.

1. A roll back of mill levy rates. Experiences in states with adequate reappraisal systems, e.g., California and Massachusetts, but without roll backs in rates, show that citizens will not tolerate massive increases in property taxes.
2. The property tax lid for the year of first use of the new values is necessary. We prefer an inflation factor appropriate to the time be authorized rather than requiring the flat, no-increase lid.

2/14/84

3. The provision for opting out of the lid after the first year also has our endorsement. But here, when values are updated each year, there may be hidden tax increases unless citizens are vigilant and hold their elected officials fully accountable.
4. The removal of use value appraisal of agricultural land from the re-appraisal program. Should the legislature implement this method of appraisal for one class of property, agricultural, the system deserves full and careful consideration through a bill of its own. We have no position for or against use value appraisal of agricultural land.

AND VERY IMPORTANT

5. THE FINAL APPRAISAL VALUES, THE NEW VALUES ON WHICH TO BASE A PROGRAM OF PROPERTY TAXES, BOTH EQUITABLE AND ACCEPTABLE TO THE PUBLIC, MUST COME TO THE LEGISLATURE FOR AUTHORIZATION BEFORE ENTRY INTO THE TAX ROLLS.

Do appropriate sufficient funds to hire a very competent computer programmer or contract with a firm competent to develop an adequate and efficient computer operation for this important tax system.

Attached is a statement of our position on property taxes. We have no position on classification, but we do have suggestions on legislation either under the uniform and equal requirement and/or under a classification system.

Thank you.

Marian Warriner
Lobbyist, State Finance

LWVK LEAGUE OF WOMEN VOTERS OF KANSAS

909 Topeka Boulevard-Annex

913/354-7478

Topeka, Kansas 66612

February 13, 1984

POSITIONS CONCERNING THE PROPERTY TAX SYSTEM

1. Statewide reappraisal should commence immediately. Until we have data provided by such reappraisal, we believe no major changes should be made in the present property tax system. When reappraisal is completed and data is analyzed, action should be taken to reduce the impact of whatever shift may emerge.
2. In the interim the state should more fully exercise its power of supervision and enforcement of the present property tax system and the county commissions should take their appropriate responsibility in the maintenance and implementation of the property tax laws of Kansas.
3. Provisions in an unclassified property tax system should include one or more of the following:
 - a) A phase-in of new assessed valuations.
 - b) A continuation of circuit-breaker programs for homeowners and renters.
 - c) Features that make the residential tax progressive such as an exemption of a fixed number of dollars of assessed valuation.
4. Standards under a classified property tax system should include:
 - a) Service charges for tax exempt property to cover the costs of services provided by local governments.
 - b) Regular listing, valuation and review of exempt property.
 - c) A sunset law to ensure that tax exemptions are justified.

January 18, 1984

WHEREAS: The Kansas Constitution authorizes the levy of ad valorem property taxes for purposes of financing costs of government and public services provided thereby; and

WHEREAS: Revenues derived from ad valorem property taxes are the principal source of funding local governments and essential services to protect the public safety, health, and welfare; and

WHEREAS: In order to assure fair and equitable administration of property taxation it is necessary to periodically reappraise property values; and

WHEREAS: For lack of periodic reappraisal of property values, certain inequities have evolved during an extensive period of time; and

WHEREAS: The immediate use of reappraised values would cause an undue assumption of property tax burdens among owners of certain types of property.

THEREFORE BE IT RESOLVED: The Kansas Legislative Policy Group, Inc. supports and endorses amendment of Kansas Constitution for purposes of establishing different classes of property; and

BE IT FURTHER RESOLVED: The Kansas Legislative Policy Group, Inc. supports and endorses the establishment of specific rates of assessment of different classes of property; and

BE IT FURTHER RESOLVED: The Kansas Legislative Policy Group, Inc. supports and endorses statewide reappraisal of property values only if the voters are allowed to determine whether the Constitution should be amended for purposes of classifying property and establishing specific assessment rates; and

BE IT FURTHER RESOLVED: The Kansas Legislative Policy Group, Inc. opposes the use of a centralized computer system for purposes of achieving statewide reappraisal of property values.

Information from Kansas State Board of Agriculture

<u>Year</u>	<u>Acres Harvested</u>	<u>Yield Acre</u>	<u>Total Production</u>	<u>Farm Value</u>	<u>Price Per Bushel</u>
WHEAT					
75	111,200	31.5	3,498,500	\$ 11,999,900	\$ 3.43
76	98,800	33.2	3,277,000	\$ 8,456,600	\$ 2.58
77	103,100	25.2	2,600,100	\$ 5,798,200	\$ 2.23
78	91,500	33.0	3,022,100	\$ 8,644,100	\$ 2.86
79	99,400	32.8	3,255,900	\$ 12,051,900	\$ 3.70
80	107,800	32.4	3,492,200	\$ 13,302,300	\$ 3.81
81	123,900	28.2	3,498,800	\$ 13,170,500	\$ 3.76
82	126,600	32.4	4,102,500	\$ 14,666,000	\$ 3.57
8 yr. ave.	107,788	31.0	3,343,388	\$ 11,011,188	\$ 3.29
MILO					
75	63,000	38.5	2,426,000	\$ 5,464,900	\$ 2.25
76	59,700	42.6	2,545,800	\$ 4,735,200	\$ 1.86
77	64,100	47.1	3,021,700	\$ 5,136,900	\$ 1.70
78	63,300	41.7	2,638,800	\$ 5,066,300	\$ 1.92
79	47,700	65.5	3,122,900	\$ 6,792,500	\$ 2.18
80	28,800	24.6	708,800	\$ 2,024,700	\$ 2.86
81	29,900	70.5	2,180,900	\$ 4,449,800	\$ 2.11
82	32,100	71.8	2,305,600	\$ 5,879,300	\$ 2.55
8 yr. ave.	48,575	48.8	2,368,813	\$ 4,943,700	\$ 2.09
CORN					
75	10,600	88.5	938,000	\$ 2,330,000	\$ 2.48
76	9,100	79.8	726,300	\$ 1,539,800	\$ 2.12
77	10,600	89.3	946,200	\$ 1,769,400	\$ 1.87
78	14,600	109.9	1,605,000	\$ 3,594,800	\$ 2.24
79	9,600	123.6	1,186,400	\$ 2,892,800	\$ 2.44
80	9,100	83.8	763,000	\$ 2,493,200	\$ 3.27
81	8,300	128.2	1,064,000	\$ 2,664,600	\$ 2.50
82	9,500	114.6	1,088,400	\$ 2,947,400	\$ 2.71
8 yr. ave.	10,175	102.2	1,039,663	\$ 2,529,000	\$ 2.43
SOYBEANS					
75	6,980	21.2	147,700	\$ 649,800	\$ 4.40
76	4,200	18.0	75,600	\$ 478,600	\$ 6.33
77	4,600	38.7	177,800	\$ 951,200	\$ 5.35
78	7,300	20.9	152,400	\$ 984,500	\$ 6.46
79	10,700	25.9	277,200	\$ 1,601,600	\$ 5.78
80	11,500	14.6	168,000	\$ 1,253,700	\$ 7.46
81	13,900	36.4	506,000	\$ 2,965,200	\$ 5.86
82	15,000	29.3	438,000	\$ 2,286,600	\$ 5.22
8 yr. ave.	9,273	26.2	241,061	\$ 1,350,000	\$ 5.60

EXHIBIT V 2/14/84

<u>Year</u>	<u>Acres Harvested</u>	<u>Yield Acre</u>	<u>Total Production</u>	<u>Farm Value</u>	<u>Price Per Bushel</u>
WHEAT					
75	28,900	31.9	921,700	\$ 3,087,700	\$ 3.35
76	31,000	30.7	950,400	\$ 2,542,100	\$ 2.67
77	20,700	25.3	524,600	\$ 1,206,600	\$ 2.30
78	21,300	36.9	786,700	\$ 2,328,900	\$ 2.96
79	22,600	44.6	1,006,900	\$ 3,797,100	\$ 3.77
80	26,600	38.3	1,019,500	\$ 4,005,100	\$ 3.93
81	29,700	28.3	839,300	\$ 3,225,900	\$ 3.84
82	30,800	32.9	1,013,700	\$ 3,714,900	\$ 3.66
8 yr. ave.	26,540	33.3	882,850	\$ 2,988,538	\$ 3.39
MILO					
75	18,510	38.9	720,800	\$ 1,614,600	\$ 2.24
76	12,700	45.0	571,500	\$ 1,074,400	\$ 1.88
77	15,400	61.8	951,900	\$ 1,656,300	\$ 1.74
78	13,900	54.1	752,600	\$ 1,475,000	\$ 1.96
79	12,100	76.8	928,800	\$ 2,010,900	\$ 2.17
80	10,300	31.8	327,200	\$ 941,200	\$ 2.88
81	11,000	79.7	876,400	\$ 1,875,500	\$ 2.14
82	11,300	67.9	767,800	\$ 2,004,000	\$ 2.61
8 yr. ave.	13,151	56.1	737,125	\$ 1,581,488	\$ 2.15
CORN					
75	2,800	55.4	155,000	\$ 388,000	\$ 2.50
76	2,000	59.9	119,800	\$ 263,600	\$ 2.20
77	1,600	93.0	148,800	\$ 290,200	\$ 1.95
78	1,800	57.9	104,300	\$ 238,800	\$ 2.29
79	1,800	109.4	196,900	\$ 474,200	\$ 2.41
80	200	45.0	9,000	\$ 30,500	\$ 3.39
81	1,400	109.5	153,300	\$ 393,100	\$ 2.56
82	1,100	94.6	104,100	\$ 281,900	\$ 2.71
8 yr. ave.	1,588	78.0	123,900	\$ 295,038	\$ 2.38
SOYBEANS					
75	3,300	20.3	66,900	\$ 300,400	\$ 4.49
76	1,700	15.0	25,500	\$ 165,800	\$ 6.50
77	2,200	36.5	80,300	\$ 435,200	\$ 5.42
78	3,800	16.4	62,200	\$ 414,200	\$ 6.66
79	3,900	28.0	109,100	\$ 651,300	\$ 5.97
80	3,400	19.6	66,500	\$ 503,600	\$ 7.57
81	4,000	36.5	146,000	\$ 862,800	\$ 5.91
82	4,400	28.7	126,100	\$ 680,800	\$ 5.40
8 yr. ave.	3,338	25.6	85,325	\$ 501,763	\$ 5.88

<u>Year</u>	<u>Acres Harvested</u>	<u>Yield Acre</u>	<u>Total Production</u>	<u>Farm Value</u>	<u>Price Per Bushel</u>
WHEAT					
75	135,300	27.0	3,649,400	\$ 12,262,000	\$ 3.36
76	135,600	30.6	4,153,400	\$ 10,718,200	\$ 2.58
77	135,600	31.8	4,315,000	\$ 9,665,600	\$ 2.24
78	128,200	26.7	3,417,900	\$ 9,981,300	\$ 2.92
79	124,200	32.9	4,091,900	\$ 15,349,500	\$ 3.75
80	133,800	33.5	4,481,000	\$ 17,202,600	\$ 3.84
81	135,700	18.8	2,546,900	\$ 9,713,400	\$ 3.81
82	135,500	35.2	4,768,000	\$ 17,187,900	\$ 3.60
8 yr. ave.	132,988	29.5	3,927,938	\$ 12,760,063	\$ 3.25
MILO					
75	20,900	43.7	914,300	\$ 2,057,200	\$ 2.25
76	18,000	40.9	736,800	\$ 1,311,500	\$ 1.78
77	16,700	53.4	891,800	\$ 1,542,800	\$ 1.73
78	21,400	27.1	580,100	\$ 1,148,600	\$ 1.98
79	13,900	54.8	761,800	\$ 1,687,500	\$ 2.22
80	15,700	41.9	657,100	\$ 1,922,900	\$ 2.93
81	13,000	51.8	672,900	\$ 1,460,200	\$ 2.17
82	13,100	45.1	590,700	\$ 1,541,700	\$ 2.61
8 yr. ave.	16,588	43.7	725,688	\$ 1,584,050	\$ 2.18
CORN					
75	3,400	97.4	331,000	\$ 835,000	\$ 2.52
76	4,200	98.0	411,600	\$ 847,900	\$ 2.06
77	3,500	95.0	332,500	\$ 641,700	\$ 1.93
78	2,700	104.7	282,800	\$ 664,500	\$ 2.35
79	600	103.3	62,000	\$ 156,800	\$ 2.53
80	0	0.0	0	\$ 0	\$ 0
81	400	129.8	51,900	\$ 134,700	\$ 2.60
82	400	93.5	37,400	\$ 103,500	\$ 2.77
8 yr. ave.	1,900	99.3	188,650	\$ 423,013	\$ 2.24
SOYBEANS					
75	90	17.8	1,600	\$ 7,100	\$ 4.44
76	0	0.0	0	\$ 0	\$ 0
77	0	0.0	0	\$ 0	\$ 0
78	100	16.0	1,600	\$ 10,500	\$ 6.56
79	100	25.0	2,500	\$ 14,700	\$ 5.88
80	100	22.0	2,200	\$ 16,600	\$ 7.55
81	200	35.5	7,100	\$ 41,700	\$ 5.87
82	300	29.7	8,900	\$ 47,000	\$ 5.28
8 yr. ave.	111	26.9	2,988	\$ 17,200	\$ 5.76

Information from Kansas State Board of Agriculture

<u>Year</u>	<u>Acres Harvested</u>	<u>Yield Acre</u>	<u>Total Production</u>	<u>Farm Value</u>	<u>Price Per Bushel</u>
			WHEAT		
75	19,400	30.0	582,400	\$ 2,015,100	\$ 3.46
76	20,500	25.9	530,100	\$ 1,437,900	\$ 2.71
77	18,600	26.9	499,500	\$ 1,195,100	\$ 2.39
78	7,700	29.9	230,100	\$ 697,300	\$ 3.03
79	10,600	39.6	419,400	\$ 1,623,200	\$ 3.87
80	15,800	34.4	543,200	\$ 2,177,200	\$ 4.01
81	23,400	35.8	837,500	\$ 3,293,600	\$ 3.93
82	25,000	23.2	579,200	\$ 2,174,700	\$ 3.75
8 yr. ave.	17,625	29.9	527,675	\$ 1,826,763	\$ 3.46
			MILO		
75	13,390	34.5	461,700	\$ 1,052,700	\$ 2.28
76	25,500	55.0	1,402,500	\$ 2,650,700	\$ 1.89
77	27,100	73.5	1,991,000	\$ 3,504,200	\$ 1.76
78	23,700	66.9	1,586,600	\$ 3,125,500	\$ 1.97
79	16,100	73.5	1,182,700	\$ 2,631,700	\$ 2.23
80	18,600	57.8	1,074,200	\$ 3,143,500	\$ 2.93
81	20,300	64.4	1,307,600	\$ 2,902,900	\$ 2.22
82	17,300	66.5	1,151,300	\$ 3,050,900	\$ 2.65
8 yr. ave.	20,249	62.7	1,269,700	\$ 2,757,763	\$ 2.17
			CORN		
75	18,000	40.8	734,000	\$ 1,844,000	\$ 2.51
76	16,500	50.4	830,900	\$ 1,794,800	\$ 2.16
77	13,400	72.6	972,800	\$ 1,955,300	\$ 2.01
78	20,800	82.7	1,721,000	\$ 3,906,200	\$ 2.27
79	17,400	93.4	1,625,700	\$ 3,898,600	\$ 2.40
80	14,400	40.4	581,200	\$ 1,762,000	\$ 3.03
81	11,400	89.6	1,022,000	\$ 2,579,900	\$ 2.52
82	11,400	89.7	1,022,100	\$ 2,747,500	\$ 2.69
8 yr. ave.	15,413	69.0	1,063,713	\$ 2,561,038	\$ 2.41
			SOYBEANS		
75	14,000	23.6	330,000	\$ 1,501,400	\$ 4.55
76	12,000	16.0	192,000	\$ 1,257,600	\$ 6.55
77	17,100	30.4	520,000	\$ 2,953,600	\$ 5.68
78	24,300	21.9	531,500	\$ 3,529,000	\$ 6.64
79	28,000	34.6	968,700	\$ 5,763,500	\$ 5.95
80	24,200	26.2	633,000	\$ 4,787,100	\$ 7.56
81	25,000	27.2	681,000	\$ 4,038,300	\$ 5.93
82	29,600	28.9	855,300	\$ 4,583,700	\$ 5.36
8 yr. ave.	21,775	27.0	588,938	\$ 3,551,775	\$ 6.03

House Committee on Assessment and Taxation

SB 275

Kansas Farm Bureau
by
John K. Blythe, Asst. Director
Public Affairs Division

Proposed amendment to SB 275

page 4, line 142 strike all following the word "rates"
and strike all on line 143.

Replace the stricken language with the following:

common with capitalization rates used by the Property
Valuation Department to determine the value of utilities
and other properties using an income approach to valuation.

1983-1984

STATEMENT OF MUNICIPAL POLICY

League of Kansas Municipalities

CONTENTS

STATEMENT OF MUNICIPAL POLICY League of Kansas Municipalities

- A HOME RULE**
 - A-1 General
 - A-2 State Role
- B INTERGOVERNMENTAL RELATIONS**
 - B-1 Interlocal Cooperation
 - B-2 County Government
 - B-3 State Government and Federal System
 - B-3a State Participation
 - B-3b Local Participation
 - B-4 State-Local Relations
 - B-4a Administrative Rules
 - B-4b Intergovernmental Relations
 - B-5 Federal Urban Policies and Relations
 - B-6 Regulations and Reports
 - B-7 Intergovernmental A-95 Review
- C PUBLIC PERSONNEL**
 - C-1 General
 - C-2 Public Employee Relations
 - C-3 Affirmative Action
 - C-4 Employee Safety
 - C-5 Local Retirement Systems
 - C-6 Retirement Benefits
 - C-7 Retirement Age
 - C-8 KPERs First-Day Coverage
 - C-9 Social Security
 - C-10 Unemployment Insurance
- D FINANCIAL PROCEDURES**
 - D-1 General
 - D-2 Budgeting
 - D-3 County Finance Officer
 - D-4 State Charges
 - D-5 State Restrictions
 - D-6 Special Assessments
 - D-7 Local Sales Taxes
 - D-8 Investing
 - D-9 Other Needed Financial Legislation
- E MUNICIPAL BONDS**
 - E-1 General
 - E-2 The Infrastructure Problem
 - E-3 State Bond Agency
 - E-4 Other Needed Legislation
 - E-5 IRB Bonds
 - E-6 Bond Taxation
- F REVENUE AND TAXATION**
 - F-1 Statement of Problem
 - F-2 Role of the State
 - F-3 Role of the Cities
 - F-4 General Policy Objectives
 - F-5 Revenue Action Plan
 - F-5a State Revenue Sharing Fund
 - F-5b Local Sales Tax Option
 - F-5c Local Income Tax Option
 - F-5d Local Intangibles Tax Option
 - F-5e Utility Franchises
 - F-5f Local Beverage Taxes
 - F-5g Highway Finance
 - F-6 Property Taxes
 - F-6a General
 - F-6b Administration
 - F-6c Classification
 - F-6d Collection
 - F-6e Exemptions
 - F-6f In-Lieu Payments; Charges
 - F-6g Mandatory Functions
 - F-6h Motor Vehicle Taxes
 - F-6i Noxious Weeds Levy
 - F-7 Farm Land Taxation
 - F-8 Property Tax Lid
 - F-9 Federal Revenue Sharing
- G PUBLIC SAFETY**
 - G-1 Law Enforcement
 - G-1a General
 - G-1b Mandatory Training
 - G-1c Security Guards
 - G-1d Dispatch Services
 - G-2 Municipal Courts
 - G-3 Juvenile Delinquency and Youth
 - G-4 Traffic Safety and Regulations
 - G-5 Fire Defense
 - G-6 Fireworks-Cigarettes
- H TRANSPORTATION**
 - H-1 Streets and Highways
 - H-1a County-City Relations
 - H-1b State-City Relations
 - H-1c Fuel Tax Exemptions
 - H-1d Highway Funds
 - H-2 Airports
 - H-3 Public Transportation
- I COMMUNITY DEVELOPMENT**
 - I-1 Urban Conservation
 - I-2 Historic Preservation
 - I-3 Comprehensive Planning
 - I-3a Statewide Planning
 - I-3b Regional Agencies

STATEMENT OF MUNICIPAL POLICY

This Statement of Municipal Policy of the League of Kansas Municipalities is the vehicle through which the cities of Kansas make known their common aims and purposes and move together for the improvement of local government. First adopted in 1962, it has been revised and readopted each year. This edition was officially adopted by city voting delegates at the 73rd annual city conference of the League held in Wichita on October 4, 1983.

This policy statement represents the foundation upon which the League builds its legislative program at both the state and federal levels. It does not attempt to set forth the League's position on specific bills which may be considered by the legislature and congress during the coming session--rather it attempts to set forth principles and guideposts as the basis for specific action by League officers and committees and by individual city officials. It also sets forth recommendations for action at the local level. It is the League's platform for building better municipal government in Kansas.

INTRODUCTION

Cities, the residence of 78 percent of all Kansans, are important working partners in the performance of public services and the conduct of Kansas government. We recognize that the Kansas Legislature has a prime responsibility to consider matters presented to it in terms of the total general welfare of the state. We emphasize, however, that state officials together with their local government counterparts, are part of a team whose problems and responsibilities are largely mutual and whose close cooperation and understanding are essential to secure the total general welfare.

Municipal governments are not only part of Kansas government, but are also important parts of our national, federal system of government. We recognize the impact of federal legislative and administrative programs and policies on urban areas and on the conduct of city government, and feel a responsibility to make our aims and attitudes known to all those concerned.

Municipal governments are also becoming increasingly affected by the actions of other local governments. Sections of this statement, therefore, make recommendations as to intergovernmental relations at the local level.

It is for these and other reasons that the League of Kansas Municipalities, with 507 member cities representing 99 percent of the municipal population of Kansas, sets forth this statement of municipal policy as our platform for promoting sound, responsive, efficient and effective government.

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- I-3c Local Planning
 - I-4 Community Development
 - I-5 Housing
 - I-5a General
 - I-5b State Role
 - I-5c Local Role
 - I-6 Building Regulations
 - I-7 Signs and Billboards
 - I-8 Annexation
 - I-9 County Urban Services
 - I-10 Special Districts
 - I-11 Municipal Utilities
 - I-12 Economic Development
 - I-13 Parks and Recreation
- J ENVIRONMENTAL QUALITY**
- J-1 Water Supply
 - J-1a Water Supply--General
 - J-1b Water Supply--Needed Actions
 - J-1c State Water Plan Update
 - J-1d Drinking Water Standards
 - J-2 Water Pollution
 - J-2a Water Pollution--Standards
 - J-2b Water Pollution--Financing
 - J-3 Air Quality
 - J-4 Solid Waste
 - J-5 Storm Drainage
 - J-6 Energy

- K HUMAN RESOURCES DEVELOPMENT**
- K-1 Education
 - K-2 Public Health
 - K-2a Personal Health
 - K-2b Alcoholism and Drug Abuse
 - K-2c Environmental Health
 - K-3 Human Services
 - K-3a State-Federal Role
 - K-3b Role of Cities--Coordination
 - K-4 Equal Opportunity
 - K-5 Justice

- L MISCELLANEOUS**
- L-1 Elections
 - L-2 Governmental Immunity
 - L-3 Anti-Trust
 - L-4 Governmental Responsiveness
 - L-5 Open Meetings
 - L-6 Beverages
 - L-7 Eminent Domain
 - L-8 Cities of 3rd Class
 - L-9 Official Paper
 - L-10 Cemeteries
 - L-11 Telephone System
 - L-12 King Holiday
 - L-13 Racing and Lotteries

Section A. HOME RULE

A-1. **General.** We believe it is in the best tradition of democracy to have the governing of public affairs as close to the people as possible and that home rule is essential to vigorous, effective and responsible local government under our representative system. We recognize our obligation to effectively use home rule by facing our own problems and assuming responsibility for the conduct of local affairs and government to the maximum extent possible, consistent with available fiscal resources.

A-2. **State Role.** The state legislature should avoid intervention in matters of local affairs and government and should act to encourage and promote the exercise of authority and assumption of responsibility by locally elected, locally responsible governing bodies. The League shall oppose, as a general rule, any direct or indirect attempt to limit or restrict the constitutionally granted home rule authority of cities, or any bills which merely declare the existence of legal authority which cities have under the constitution.

Section B. INTERGOVERNMENTAL RELATIONS

B-1. **Interlocal Cooperation.** We support the principle of voluntary cooperation among all levels of government and urge local officials to participate in councils or associations on a local or regional basis to jointly discuss mutual problems and to cooperate in actions to secure the best interests of the citizens and the optimal use of local resources.

B-2. **County Government.** County governments should be administratively organized to efficiently and effectively perform public services of countywide importance, with authority centralized in the board of county commissioners. We urge boards of county commissioners to explore optional forms of county government, including provisions for a chief administrative officer and finance officer.

B-3. State Government and the Federal System.

B-3a. **State Participation.** We believe our American federal system of government will be best served if our state government is an active, contributing partner with our national and local governments in the solution of urban problems. However, in the absence of significant state financial support of federally assisted programs, and effective state administrative machinery responsive to local concerns, provision should continue to be made in federal aid or "block grant" programs for direct federal-city administration.

B-3b. **Local Participation.** Effective use of the federal system, we believe, requires the involvement of local government officials in the planning and implementation of federally assisted programs, which may be legally controlled by the state but which vitally affect cities and their residents. In addition, the largest amount of federal aid possible should be "passed through" to local governments, with state administrative costs financed from state funds and not "skimmed off" from grant moneys apportionable to local units.

B-4. State-Local Relations.

B-4a. **Administrative Rules.** We believe local governments, and their public interest organizations, should be invited to participate in the state administrative rule making process in advance of formal public hearings.

B-4b. **Intergovernmental Relations Commission.** We request the legislature to establish an intergovernmental relations advisory commission, with members representative of local governments, state department heads and key legislators, for the purpose of reviewing trends and needed adjustments to the state-local governmental partnership system in Kansas, and responding to changes in our federal intergovernmental system. This commission should also review state mandated programs and expenditures.

B-5. **Federal Urban Policies and Relations.** Because of the substantial impact of existing and proposed federal government policies and programs on cities, city officials are urged to take an active interest in congressional actions, and to advise the League and our national legislators of their concerns. Federal officials, should recognize that local officials have a role in federal programs affecting their communities and should be responsive to the views and needs of local officials in the development and implementation of such programs. We support congressional and administrative efforts which improve the effectiveness of the intergovernmental system, including efforts to shift authority and fiscal resources from the national and state government to the local level. Federal programs affecting cities should be better coordinated, with grant application and reporting requirements simplified and procedural red tape minimized. We generally endorse the National Municipal Policy of the National League of Cities, insofar as there is no conflict with the policies herein established.

B-6. Regulations and Reports. We support simplified and reasonable state and federal standards and regulations, which provide local units with broad discretion to meet local needs. The number and complexity of state and federally mandated reports should be reduced. We generally oppose any new reporting requirements.

B-7. Intergovernmental A-95 Review. In light of the President's decision to discontinue the A-95 project notification and review system, effective April 30, 1983, we support the development and implementation of a simplified process for state and regional advisory review of local applications for federal and state financial assistance. Local governments should be involved in the development of the state review and notification procedures. The major objective of such a review process should be to assist public agencies in coordinating their development and service delivery objectives.

Section C. PUBLIC PERSONNEL

C-1. General. The governing bodies of cities should have full authority to establish comprehensive personnel programs, including authority to determine hours of work, compensation, overtime, leave policy, residency requirements, insurance, promotion, firing and all other terms, conditions and qualifications of city employment. We urge local governing bodies to adopt personnel policies which are fair to employees, respect their legal rights, protect the public interest and are consistent with the adopted policy of affirmative action.

C-2. Public Employee Relations. The state and federal government should not intervene in local government employee relations. Neither should city officials, employees or employee organizations seek state or federal legislative determination of such local affairs. We oppose any federal or state legislation which would mandate collective bargaining or the recognition of employee organizations. The local option provisions of the Kansas public employer-employee relations law should be retained; additional local flexibility should be authorized, including the timing of impasse resolution in relation to the local fiscal calendar. We oppose binding arbitration as to the resolution of impasses or the mandated arbitration of grievances.

C-3. Affirmative Action. Cities should utilize affirmative action programs as a means of removing artificial barriers and restraints which may deprive any individuals, particularly minorities, women and the handicapped, of the right of full citizenship. Cities should make every effort, consistent with merit principles, to recruit minorities, women, the handicapped, the poor and disadvantaged, to assist the now unemployable to qualify for employment, and to provide means for all employees to improve their skills to the maximum of their ability.

C-4. Employee Safety. Cities should adopt and implement effective safety programs to protect the health and safety of their employees. We oppose mandatory extension of federal occupational safety and health (OSHA) standards to local governments.

C-5. Local Retirement Systems. The governing bodies of cities should have authority to maintain local retirement systems, including the right to fix benefits and determine employee contributions. Local pension systems certified to be actuarially sound should be excluded from any federally mandated standards and reporting requirements.

C-6. Retirement Benefits. We generally support improvements in the Kansas Public Employees Retirement System (KPERs) retirement benefits schedule. We recommend an interim legislative study as to the coordination of benefits of pension and retirement benefits of public employees for which contributions are made from federal, state or local taxes, including social security.

C-7. Retirement Age. We oppose changes to the KPERs plan which would (a) extend the "normal" retirement age beyond 65, (b) extend the "compulsory" retirement age beyond 70, or (c) remove the authority of the employer to continue employment of individuals over age 70 when this is believed to be in the "best interest of the public" and the individual is found to be mentally and physically capable. The present retirement policies of the Kansas Police and Firemen's Retirement System (KP&F) should also be retained. Membership in KP&F should be restricted to public safety officers in the police or fire service.

C-8. KPERs First-Day Coverage. We support first-day coverage under the KPERs plan only if such coverage is on a local option basis.

C-9. **Social Security.** If social security coverage is mandated for all public employees, adjustments are necessary in the state-established benefits of pension and retirement systems for police and firemen to recognize the social security benefits which would accrue from municipal employment.

C-10. **Unemployment Insurance.** We urge continuing state and federal government action to eliminate abuses of the unemployment insurance program. Seasonal and temporary public employees should be excluded from unemployment coverage. We also urge legislation to disqualify those persons who refuse suitable employment which will pay an amount at least equal to the amount of unemployment insurance benefits to which they are otherwise entitled.

Section D. FINANCIAL PROCEDURES

D-1. **General.** State laws and regulations governing municipal finance procedures should be continuously revised to recognize modern financial procedures and practices.

D-2. **Budgeting.** Since municipal budgeting requires that accurate information as to assessed valuations be available, especially to conform to tax lid requirements, the statutory timetable for budget preparation, publication, hearing, adoption and certification should be extended by one month. As an alternative, amended budgets and revised property tax levies should be permitted for a 21-day period following final certification of assessed valuations, but not later than November 1. Statutory requirements for the completion and certification of assessments should be complied with by state and county officers.

D-3. **County Finance Officer.** Counties should be specifically authorized, and encouraged by state grants, to appoint a qualified public finance officer to administer and supervise county financial activities, including accounting, budgeting and treasury management functions, and to provide fiscal services, data processing and technical assistance to local units requesting such assistance.

D-4. **State Charges.** Local governments, and their officers and employees when acting in their official capacities, should be exempt from fees and charges for all state licenses and permits. Such fees and charges only further increase the cost of local government, supported largely by property taxes.

D-5. **State Restrictions.** We oppose the enactment of state legislation to (a) unreasonably restrict the contractual discretion of cities, (b) require cities to publish statements of claims paid, (c) reduce or restrict the use of the local share of state bingo taxes, or (d) require payment of state or federally determined prevailing wage rates for municipal public works contracts. The implementation of the provisions of K.S.A. 44-201 should remain the responsibility of the contractor.

D-6. **Special Assessments.** (a) **Legal Challenges.** Absent a favorable supreme court rehearing and decision on the Dutoit case, the time limit for legally challenging special assessments under the federal civil rights act should be restricted to six months or less following determination of the assessments. (b) **Foreclosure.** The property tax foreclosure grace period should be reduced to two years when there are delinquent special assessments and the land is vacant. (c) **Interest on Delinquent Collections.** Local units should share in the revenue from the interest penalty on unpaid special assessments collected by the county treasurer. (d) **Delinquent Special Assessments.** Registers of deeds should be prohibited from recording any transfer or sale of land on which there are delinquent special assessments. (e) **Street Assessments.** Cities should be authorized to levy special assessments for street improvements in an amount not to exceed \$3.00 per front foot, subject only to notice and hearing.

D-7. **Local Sales Taxes.** (a) **Leased Equipment.** K.S.A. Supp. 12-191 should be amended to provide that leased equipment, for which contractual payments in excess of \$5,000 per year are charged, should be subject to any city or countywide retailer's sales tax that may exist at the location where the equipment is primarily used. (b) **Budgeting.** K.S.A. Supp. 72-191 should also be amended to delete the last paragraph relating to the deferred expenditure of sales tax revenue, but to require all local sales tax revenue to be budgeted. (c) **Use for Bonds.** K.S.A. 12-195, which now prohibits a city or county from committing local sales tax money "as a guarantee for the payment" of bonds should be amended to permit the transfer of such money from the general fund to the bond and interest fund. (d) **Transfers.** K.S.A. 12-196, now permitting counties to transfer sales tax revenue from the general fund to the road and bridge fund, should be amended to authorize the governing body of a city to transfer local sales tax revenue from the city general fund (1) to any bond and interest fund otherwise supported by city-wide property taxes, (2) to capital improvement and equipment funds, and (3) to a special highway fund, as proposed in Section E-2 of this Statement. (e) **Distribution of Revenue.** City treasurers should be required to credit moneys received

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431 sub. subjects resp. # = 836

from local sales taxes to the general fund of the city on receipt. County treasurers should be required, within three working days following the receipt of payments of countywide sales tax revenue from the state treasurer, to credit to the county general fund and to pay to each city treasurer their respective shares.

that
D-8. Investing. To reduce the local tax burden, cities should have broad authority to invest their active and inactive moneys. To achieve this objective, we recommend the following: (a) The general investment statute in K.S.A. Supp. 12-1675 should be amended to: (1) authorize investment in no-fund warrants issued by the investing unit; (2) eliminate the six months limit on treasury bills or notes (clause (5)); (3) authorize the branch offices of savings and loan associations to accept public funds up to the FSLIC insured limits; and (4) authorize investments in high quality short-term obligations of U.S. corporations with assets exceeding \$500 million. (b) The provisions of K.S.A. 9-1402(f), requiring banks and savings associations to increase their public deposit pledging to 100 percent for investments exceeding the treasury bill rate, should be eliminated, continuing local discretion as to pledging in excess of 70 percent. (c) The state treasurer should establish a toll-free telephone number for the weekly report of interest rates under K.S.A. 12-1676a. (d) A state-local investment pool program should be established, optional for local government use, similar to those which have proved very advantageous to local units and taxpayers in other states. (e) Federal prohibitions against the payment of interest on public demand deposits should be removed.

Security, simplicity, flexibility, and rate of return

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2000
D-9. Other Needed Financial Legislation. (a) **Purchasing.** The state should make available to local governments, on an optional basis and without cost, its purchasing and testing services, including local use of state purchasing contracts. (b) **License Taxes.** K.S.A. Supp. 12-194 should be amended to remove the prohibition against use of sales, gross receipts or income as a base for city business license or occupational taxes. (c) **Amusement Devices.** Cities should not be prohibited from levying license taxes on coin operated amusement devices based on gross receipts. (d) **Service Fees and Charges.** K.S.A. Supp. 12-137 should be amended to clarify that fees and service charges levied under home rule are not subject to a voter petition for a referendum. (e) **Sales Tax Exemption.** Full refunds should be made of sales taxes paid on purchases for public water system improvements attributed to fire suppression. (f) **Mineral Interests.** Cities should be specifically authorized to establish and invest reserve or trust funds for municipal purposes from mineral interest earnings. (g) **Claims Records.** The 15 year requirement for retention of claim and purchase order records in K.S.A. 12-120 should be reduced. (h) K.S.A. 12-1608 should be amended to increase from 20 days to 30 days the time within which the quarterly treasurers statement must be published.

Section E. MUNICIPAL BONDS

legality
E-1. General. State laws governing municipal bonds should be continuously modernized to preserve the high investment quality of Kansas municipals in the increasingly competitive bond market and to reduce the cost of borrowing. Cities should have broad powers and flexibility as to both debt financing and current financing of capital improvements, facilities and equipment. We oppose a general extension of mandatory referendums on municipal bond issues. While local governments should have flexibility in the marketing of municipal bonds, public officials should make certain at all times that bonds are sold only in the best long term interest of the taxpayer or utility user. Cities should obtain qualified fiscal advisory service, feasibility studies and legal counsel prior to the issuance of bonds, which should be arranged for by contract separate from the sale of bonds. Negotiated sales of revenue bonds should continue to be permitted for use when deemed necessary to best serve the public interest but should not be confined to only one firm or purchaser.

E-2. The Infrastructure Problem. The wear and tear of time, past and present revenue shortages, and an emphasis on the new at the cost of short-changing the maintenance of the old, has resulted in the deterioration of many essential public facilities. The public infrastructure problem of American cities, exemplified by falling bridges, collapsing sewers, broken curbs and deteriorating streets, is a significant problem, requiring local action with longterm commitment and state support through legislation. In the past few decades, a disproportionate share of the real cost of providing public facilities has either been debt financed or deferred to the future by neglect. In addition, the cost of issuing bonds has continued to rise, for a variety of reasons. While the need for borrowing will continue, an increasing share of the cost of public improvements, facilities and equipment should be borne by current municipal revenues. To accomplish this objective, we propose the following: (a) Cities should develop capital improvement and related multi-year expenditure programs involving facilities, improvements and equipment, and fund such expenditures from current revenue on a planned basis to the maximum possible; (b) Cities should consider the establishment of a capital improvement fund, with revenue financed from a special tax levy and

transfers from other funds, including local sales tax revenue; (c) The legislature should authorize the transfer of sales tax money to capital improvement as well as debt service funds (see also D-7); (d) Cities should be specifically authorized to establish an equipment reserve fund, supported by expenditure transfers from operating funds. (e) The legislature should authorize cities to budget for a consolidated highway improvement fund, or for an account within the general fund, to include expenditures from the special city and county highway fund under K.S.A. Supp. 79-3425c, connecting link payments under K.S.A. 68-416, property tax revenue resulting from transfers from other funds or home rule tax levies, and transfers of local sales tax money from the general fund; (f) The revenue resources of cities, including state financial assistance, should be increased in order to adequately meet present and future public infrastructure needs.

E-3. State Bond Agency. Capital fund shortages, alternative investment opportunities and other factors are reducing the traditional local bank market for smaller municipal issues, and such non-rated issues are difficult to sell on the national market. Further, the legal and procedural costs of issuing bonds appear to be increasing. We recommend an interim legislative study of the feasibility of establishing a Kansas municipal bond bank or other agency through which local units are given the option of pooling their smaller general obligation bond and note issues into a nationally rated and marketed issue.

E-4. Other Needed Legislation. (a) **Short Term Borrowing.** We recommend legislation authorizing a simplified, inexpensive municipal borrowing procedure, limited to five years and to purposes for which bonds may be issued, eliminating the necessity of bonds for smaller amounts. As an alternative, K.S.A. Supp. 10-123 should be amended to authorize cities to make payments on temporary notes from sources of revenue other than the issuance of bonds. (b) **Local Bond Sales.** The authority and procedures for the sale by municipalities of their bonds in small denominations directly to individuals and businesses should be clarified, to encourage citizens to invest in their community. (c) **Debt Limits.** The debt limits on cities should be increased to reflect the declining ratio of assessed valuations to market value. (d) **Bond Notices.** The requirement for publication of bond sale notices in the Kansas Register, which duplicates required notices in the official state paper and local papers, should be eliminated. (e) **Public Sale.** Municipalities which fail to receive more than one bid under the general obligation bond public sale law should be authorized to negotiate the sale of bonds of less than \$200,000. (f) **Building Commission Bonds.** The purposes for which buildings constructed with public building commission revenue bonds may be used should be broadened. (g) **Downtown Improvement Bonds.** Bonds issued under the tax increment financing law and the new municipal improvement district law should be authorized to be general obligations of the city subject to a petition for a referendum. (h) **Tax Increment Financing.** Temporary notes or other borrowing techniques should be authorized to pay the "front-end" costs of tax increment financing projects. (i) **Temporary Notes.** K.S.A. 10-131, authorizing the temporary investment of bond proceeds, should be amended to specifically apply to temporary notes. (j) **Litigation.** The provisions of K.S.A. 10-108a and 10-108b, relating to pending or threatened litigation on the issuance of bonds, should be more restrictive to prevent unwarranted delay in the sale or delivery of bonds.

E-5. IRB Bonds. We oppose state controls over the issuance of city industrial revenue bonds so restrictive as to effectively prevent local self-determination. We urge cities and counties to carefully and prudently use this bonding power, to accept responsibility for investigating the financial integrity of the tenant company, and to officially adopt policies and guidelines to assure the use of such bonds only for public purpose objectives.

E-6. Bond Taxation. We oppose any federal legislation or administrative action which would directly or indirectly subject the interest from municipal bonds to federal income taxes, or otherwise jeopardize the marketability of municipal bond for traditional local government purposes. Nationwide restrictions on IRB bonds or other private purpose bonds are preferable to the elimination of the tax exempt status of traditional municipal bonds, or to the continued erosion of the price advantage of tax exempt securities because of the growing volume of non-traditional uses. The interest on Kansas municipal bonds should be exempt from state income taxation in the same manner as state board of regents, armory and turnpike bonds, and industrial revenue bonds, are now tax exempt.

Section F. REVENUE AND TAXATION

F-1. Statement of Problem. The cities of Kansas, the residence of 78 percent of all Kansans, continue to struggle with the adequacy and equity of their revenue sources. The continuing municipal finance problem results from a combination of many factors, including the following: (a) increasing costs, to finance existing services as well as to make the city more "liveable"; (b) growing capital improvements

needs, resulting in part from the deferred maintenance of the infrastructure of our cities and the need to reduce borrowing, (c) a state-imposed property tax lid which does not recognize varying local conditions, growing municipal needs, or the impact of inflation; (d) state and federally mandated programs; (e) heavy reliance on the unpopular property tax, which is dependent on assessed valuations which do not adequately reflect private economic wealth nor the rising costs of governmental services; (f) continued inflation, exceeding the normal growth of revenue sources; (g) state revenue sharing payments to cities which have not in the past increased in proportion to either the rising cost of city government or the growth of state revenue; (h) decreasing federal grant programs; and (i) the absence of alternative local revenue sources that are adequate or publicly acceptable for many cities.

F-2. Role of the State. The state has a major responsibility to foster vigorous, effective local government, which means it has a commensurate responsibility to assure the fiscal strength of its cities. The municipal finance problem, compounded by cutbacks in federal assistance, cannot be solved by state-imposed tax lids and revenue source restrictions. The real need is for meaningful state assistance, through the provision of increased state-local revenue sharing, and the authorizing of additional local option taxes, as recommended below.

F-3. Role of the Cities. Those elected and appointed to direct municipal affairs have a responsibility to efficiently, effectively and responsibly spend the financial resources available to them, in accordance with local needs and priorities. They also have a public responsibility to resolve local problems locally to the maximum extent possible, to work for securing an equitable mix of revenues adequate to meet long term as well as immediate public needs, and to keep their residents and taxpayers, and their state legislators, informed as to municipal problems. Both local and state government actions, in a cooperative venture, are needed to fairly and adequately finance local governments to meet their public responsibilities.

F-4. General Policy Objectives. The general objectives of this series of policy recommendations is to propose a comprehensive revenue resources program which:

(a) recognizes the present and future fiscal needs of cities generally, as well as the wide variations which exist among all the cities of Kansas;

(b) provides a basic, foundation level of support to enable the average city--especially our smaller cities where some local option taxes may not be feasible--to finance at least a minimum level of public services with a reasonably moderate property tax and full use of local fees, charges and other non-tax sources;

(c) permits those cities with greater fiscal needs, those cities whose citizens want more than the minimum quantity and quality of local public services, and those cities which want to diversify their revenue sources and reduce their reliance on the property tax, to use local nonproperty taxes as deemed necessary;

(d) secures fiscal resources, through state assistance and local options, to create a municipal revenue base which is responsive to economic conditions and municipal needs.

F-5. Revenue Action Plan. To meet the policy objectives described above, we propose the following revenue resources program:

F-5a. State Revenue Sharing Fund Increase. We recommend that the present state-local revenue sharing fund be annually financed by earmarking two and one-half percent of total state income tax revenue and a total of five percent (1-1/2% additional) of state sales tax revenue.

F-5b. Local Sales Tax Option. (a) The local option sales tax law should be retained. The city ½% or 1% option, and the countywide ½% or 1% rate option, should be continued (b) We generally oppose further exemptions to the base of state and local sales taxes. (c) Any change in the method of taxing food should be accomplished by a system of income tax credits or direct rebates, rather than the complete exemption of food from state and local sales taxes. (d) We oppose any increase in the level of state sales taxes that would practically and politically preempt the levying or increasing of local sales taxes.

F-5c. Local Income Tax Option. We recommend that a local income or earnings tax be authorized as was provided in the original Kansas tax lid law. We generally favor a procedure whereby the locally determined tax rate may be applied to the individual's state reported taxable income or tax liability, with the local amount collected by the state and returned to the levying unit. Provisions should be made for both a city or countywide tax. There should be a local option as to whether the tax applies only to resident

individuals, or to residents and non-residents with a system of credits for those who may be subject to taxation by two or more units. The formula for the equitable distribution of the revenue from any countywide income tax should balance situs of income, place of residence, revenue need and other factors.

F-5d. Local Intangibles Tax Option. Cities, as well as counties and townships, should continue to have the option of levying a gross earnings tax on the income from intangible property owned by resident individuals and businesses.

F-5e. Utility Franchises. The amount of utility franchise or compensation fees or charges levied by cities on the operation of utilities within the city should continue as a matter of home rule and local determination and should not be restricted by state law nor by action of the Kansas Corporation Commission. (See also section I-10)

F-5f. Local Beverage Taxes. Cities should not be prohibited by state law from exercising their constitutional home rule power to levy a tax, subject to a petition for a voter referendum, of not to exceed 10 percent, on the retail sale of cereal malt beverages sold within the city. Cities should be authorized to vary the license fees for the retail sale of intoxicating liquor and cereal malt beverages according to the volume of such sales.

F-5g. Highway Finance. (a) 1983 State Action. We commend the 1983 legislature for its enactment of a comprehensive highway finance program. City officials are ready to publicly support those legislators who voted for the tax increases necessary to adequately maintain our state and local highway system. **(b) City Vehicle Tax.** State laws (K.S.A. 12-143) authorizing city motor vehicle taxes should be amended to permit the levying of a vehicle tax at varying rates, subject only to a voter petition for a referendum thereon, in accordance with the provisions of K.S.A. Supp. 12-137. The purposes for which such revenue may be used should be broadened to include the financing of public transportation systems.

F-6. Property Taxes.

F-6a. General. While property tax levels in Kansas are generally reasonable, major increases should be avoided wherever possible, requiring additional state assistance and local alternative sources, as recommended in Section F-5, above. Since tangible, taxable property constitutes a decreasing portion of the economic wealth within cities, an increasing share of the municipal budget should come from non-property tax sources that recognize the nature of the urban economy -- sales and income.

F-6b. Administration. Kansas must secure improved administration of the property tax. In 105 of our 105 counties, according to the state real estate assessment ratio study, urban property is assessed at a higher level (8.23% average in 1982) than rural property (5.65% average, a difference of 69%.) Excessive and inequitable variations in assessments exist within and between classes of property. The level of assessments should more accurately reflect current market value as provided by law. Because of the great importance of the property tax to local governments, and the need for equity and fairness in the distribution of the property tax burden, the 1984 legislature should take positive action to implement a statewide property reappraisal program.

F-6c. Classification. The League long supported the uniform and equal taxation provision of the Kansas constitution, and opposed amendments or legislation to permit or require the use of appraisal factors to the exclusion of market value as the basis of assessing property when the result would be to further shift the burden of taxes to urban and residential property. However, inflation and county assessment practices has resulted in a fact situation whereby much property is assessed at a very small and declining ratio to its current market value and wide variations exist in the assessment levels of different classes of property. Some property is now taxed several times as much as other property with the same market value and at the same tax rate. As a result, judicially or legislatively mandated reassessments may occur in the near future which could result in a substantial shift of property taxes. With reluctance, we support a departure from the traditional uniform and equal clause, provided that the constitutionally authorized number of classes are minimal, and the maximum permitted assessment ratio variation to market value is kept within a reasonable range, such as 1 to 2. A limited constitutional amendment providing for the separate classification and taxation of property appears especially important if use value assessment of farm land is to be implemented.

F-6d. Collection. Increased efforts are necessary to secure the collection of property taxes and special assessments, both current and delinquent. K.S.A. Supp. 79-2004, relating to the collection of taxes, should be amended to specifically refer to special assessments. (See also Section D-6)

F-6e. **Exemptions.** We oppose the granting of tax exemptions to private property, including (1) homesteads, (2) merchants', manufacturers' and farmers' inventory, equipment and livestock, and (3) property used for pollution control, unless the state also provides funds with similar growth potential to replace the loss of local tax revenue, from sources not now used by cities. The 1982 exemption granted to commercial aircraft effective January 1, 1983 should be repealed.

F-6f. **In-lieu Payments; Charges on Exempt Property.** (a) The legislature should provide for state payments to cities for municipal services rendered to state-owned tax exempt property. (b) Cities should be authorized to levy service charges on tax exempt property, based on the value of improvements on such exempt property or other factors, to finance such services as police and fire protection.

F-6g. **Mandatory Functions.** We oppose the imposition of additional mandatory functions or activities on local governments unless the means to finance such functions from revenue other than property taxes is also provided. Increased state-local revenue sharing is needed to reimburse local units for presently mandated costs.

F-6h. **Motor Vehicle Taxes.** The tax levels and revenue distribution formula under the 1979 state law levying special taxes on motor vehicles should be monitored by the legislature and amended as necessary to assure that the allocation of revenue therefrom to cities at least equals the revenue which would have been received from the general property tax on vehicles, with similar future growth potential. Increased enforcement is necessary to assure that vehicles are registered and taxed in the county and taxing unit in which the vehicle is customarily kept.

F-6 i. **Noxious Weeds Levy.** For the year 1983, Kansas counties levied taxes for their noxious weed funds totaling \$6,128,710, in addition to \$564,697 levied by townships. City levies for a noxious weed fund (excludes general fund levies for this purpose) totaled \$508,504. Counties should be required to reimburse any city or township which does not directly benefit from the county program, in the proportion of the assessed valuation of such units.

F-7. **Farm Land Taxation.** Legislative implementation of the constitutional amendment permitting the use value assessment of agricultural land should be carefully considered. Because of the tax shifts to urban areas and residential property which may result, we oppose the enactment of any preferential assessment law for agricultural land unless preceded by a constitutional amendment authorizing the separate classification and taxation of residential property, as noted above.

We recognize the importance of agriculture to the state and the cities of Kansas and their residents, and the need for public policies which discourage the unregulated urbanization of farm land. The principal objectives of land use assessment legislation should be: (1) the preservation of farm land for actual farm use; (2) the preservation of open space in urban areas; and (3) the equitable taxation of all property and fair distribution of governmental costs. We observe that the constitutional amendment was "sold" to the public as a method of preserving farm land for farm purposes, not as a device to shift farm taxes to non-farm property.

To secure those objectives, any implementing legislation should: (1) limit eligible land parcels to acreages sufficiently large to constitute a farm; it should exclude suburban "ranches" or tracts not used primarily for farming, to discourage the "farming" of rising land values instead of crops and livestock; (2) be restricted to land zoned exclusively for agricultural purposes or to land which is under restrictive agreements as to future uses; (3) recognize the value of situs -- that land is in demand and has a significant value because of its sheer existence, notwithstanding any actual or potential agricultural productivity; (4) provide for an adequate capitalization rate, to be applied to impartial farm production and income figures; and (5) contain a "pay back" or recoupment provision, requiring payment of "lost" taxes for a minimum of five years when land is converted from agricultural use.

Since the average, overall tax rate within Kansas cities is 49.8 mills higher than in townships, and since urban real estate is assessed on the average at 69 percent more than rural real estate (U-8.23; R-5.65, according to the 1982 sales ratio study), city officials are justifiably concerned with the tax shifts which may result from use value legislation. This is especially true for cities in the less urbanized counties.

F-8. **Property Tax Lid.** We continue to oppose in principle any property tax lid law. We believe such state-imposed controls to be in conflict with the clear intent of constitutional home rule, which provides for the determination of local affairs by locally elected governing bodies, directly responsible to the citizens of the affected communities.

To make any new state-imposed tax lid workable, local increases should be authorized (1) by action of the voters when petitioned for, and (2) by action of the elected governing body, under a full disclosure procedure and subject to a petition for a referendum. Governing body actions to increase the local lid amount should be comparable to the procedure for enactment of home rule charter ordinances.

F-9. Federal Revenue Sharing. Federal general revenue sharing, first enacted in 1972 and scheduled to expire in 1983, must be renewed. This program has helped restore fiscal balance to our federal system and has been of great benefit to Kansas cities and their residents. The continuation of this vital program is our highest national legislative priority.

Section G. PUBLIC SAFETY

G-1. Law Enforcement.

G-1a. General. The protection of life and property and the preservation of peace and order are major responsibilities of municipal government. We recognize that efficient and effective law enforcement may require larger administration units in some areas, and a cooperative approach and integrated effort by all affected agencies. We urge cities and counties to contract with each other for police protection and to jointly utilize personnel, equipment, information and records systems. We support the strengthening and professionalization of countywide law enforcement with emphasis on the enforcement of criminal laws, operated in full cooperation with municipal police departments. The state should implement a more effective criminal justice information system, operate an improved and reliable statewide law enforcement communications system, improve the operation and dependability of the department of revenue vehicle license information system, and assist local units of government in sharing the local costs of these programs. Cities should act to encourage increased citizen and neighborhood involvement in crime prevention.

G-1b. Mandatory Training. The initial state peace officer training requirement of 320 hours should be phased-in over a two-year period, with not more than 200 hours of basic, mandated training required the first year. The state should fund the full costs, including salaries, required for mandated training.

G-1c. Security Guards. Cities should not be prohibited from licensing or regulating private security guards. The authority of cities to obtain FBI criminal history information as to applicants for such local licenses should be clarified.

G-1d. Dispatch Services. Revenue received from taxes on telephone services for emergency telephone service under K.S.A. Supp. 12-5304 should be available to finance dispatch services and system improvements as well as to pay the supplier of the telephone service.

G-2. Municipal Courts. (a) **System.** We oppose the abolition of municipal courts. Cities should have the option of utilizing the district court for ordinance violations, with hearings held at places convenient to the public. (b) **Procedures.** State laws should not prohibit cities with special needs from adopting charter ordinance revisions to the municipal courts procedure act. Because of the clear right of appeal, the use of juries in ordinance violations should not be required. The provision and cost of legal services within the state court system, involving the defense of indigents accused of a municipal ordinance violation, should be provided by the state if the violation is also a state offense. (c) **Costs and Fines.** Cities should not be prohibited from levying court costs for municipal ordinance violations. All fines and costs for ordinance violations should be paid to the city general fund and fees or assessments should not be levied by the state for driver education, law libraries, indigent defense, law enforcement training or other purposes.

G-3. Juvenile Delinquency and Youth. Juvenile delinquency is a continuing problem in Kansas and its communities, meriting high priority of public attention and action. We support a monitoring of the effect of the new juvenile offenders code and the adequacy of juvenile facilities and programs. The juvenile offenders code should be amended to clarify the authority of the county or district attorney to provide for the diversion of juveniles.

G-4. Traffic Safety and Regulations. We oppose legislation which attempts to remove the authority of cities to regulate railroad traffic, or imposes any costs on cities and counties for railroad crossing protection devices. We support legislation which would (a) authorize left turns on red traffic signals at the intersection of two one-way streets; (b) authorize the exclusive use of uniform emergency vehicle warning lights for law enforcement purposes; (c) clarify and make more workable the new DWI law; and (d) revise

the state traffic code to classify many minor traffic offenses as traffic infractions to which an accused may plead guilty and pay a fine by mail within a reasonable time period, provided cities may adopt ordinances setting local fine schedules for traffic infractions that vary from any uniform fine schedule set by state law.

G-5. Fire Defense. (a) **Insurance Grading.** We urge continued action to give taxpayers, through their state and local governments, effective influence over the formulation of those standards and policies and practices which regulate or influence municipal fire defense activities and expenditures and determine fire insurance rates. We support a system that is flexible and performance oriented to allow cities to vary the mix of manpower, facilities, equipment and tactics in accordance with local needs and priorities and that gives primary emphasis to fire prevention, suppression and public education. (b) **Training.** Because of escalating national and state fire loss, we urge local support of and involvement in fire service training programs. (c) **Arson.** Arson investigations should be a combined effort of municipalities and the state fire marshal's office. (d) **K-FIRS.** We support the continued implementation and operation of the Kansas Uniform Fire Incidence Reporting System (K-FIRS), the Kansas fire information system. We urge local participation in this comprehensive data system to facilitate local fire protection planning and the implementation of programs related to fire safety, prevention and public education, and to track the effectiveness of new or existing fire protection practices and possible changes that should be made.

G-6. Fireworks—Cigarettes. (a) **Fireworks.** Because of the personal injuries, property damage and added police and fire protection costs which result from the careless use of fireworks, we support a statewide prohibition against the sale, possession or use of fireworks except for licensed displays. In the absence of such legislation, we oppose any state effort to limit the authority of cities to regulate or prohibit the possession or use of fireworks. (b) **Cigarettes.** We believe state or national legislation to require all cigarettes to be rapidly self-extinguishing would greatly reduce fire deaths and property losses.

Section H. TRANSPORTATION

H-1. Streets and Highways

H-1a. County-City Relations. (a) Major adjustments are necessary in county-city highway administration and financing relations. Cities are a part of the county in every way the same as unincorporated areas; city property taxpayers should not be required to contribute toward the cost of roads on the county system which are not of true countywide importance, and roads, streets, and highways of equal public service and use should receive equal county financial participation, whether located within a city or a township. We support legislation requiring county assumption of the construction and maintenance of streets within cities which are logically a part of the county highway system, or that counties adequately participate in the financing thereof. (b) The present \$250 per mile county payment for city maintenance of county connecting links (K.S.A. 68-506e) should be repealed or updated to reflect current conditions. (c) About \$27 million annually is levied on property within cities for county road and bridge taxes. We support enactment of a state law requiring counties to annually pay back to each city therein an amount equal to one-half the amount of taxes levied by the county on property within each city for county or county-township road and bridge purposes, less payments in cash or equivalent in improvements received by the city, unless another amount or service program is mutually agreed upon by the governing bodies thereof. (d) We oppose the mandatory extension of the county unit highway system unless some equitable remedy is provided to the property tax payers within cities.

H-1b. State-City Relations. (a) All state trunks or county trunks adjacent to cities should be connected with routes into or through the urban center, such connecting routes to be constructed and maintained, or largely financed, as a state or county responsibility. Those portions of a municipal arterial system connecting the extensions of state highways within cities should be designated as state connecting links. (b) State payments to cities for the maintenance of state highway connecting links within cities should be increased to more adequately reflect the actual cost and special payments made for the maintenance of bridges on such connecting links. (c) Cities should have clear authority to turn over state connecting links to the state, with the state empowered to contract with cities for the maintenance of such state highways. (d) The tort liability of cities for connecting links should be limited. (e) The quality of state maintenance of state trunks within cities needs to be improved and established on a regular basis. (f) The present method of acquiring right-of-way for connecting links should be continued, preserving the local option of municipal or state acquisition. (g) The state transportation department should give increased attention to the needs of cities and should exercise its authority to transfer funds from other federal allocations for use on municipal streets.

H-1c. **Fuel Tax Exemptions.** Motor fuel used in publicly owned vehicles, and publicly owned or subsidized transit vehicles, should be exempt from state taxation in the same manner that such fuel is exempt from federal taxes.

H-1d. **Highway Funds.** K.S.A. 68-141g, relating to the transfer of moneys to a special bridge, street or machinery reserve fund, should be clarified to permit transfers from street accounts within the general fund. Moneys in such reserve funds, and in any such special highway improvement reserve fund created under K.S.A. 68-590, should be authorized for investment in accordance with K.S.A. 10-131.

H-2. **Airports.** We support continued federal participation in the development costs of airports, including terminal facilities, with formulas providing for the equitable distribution of funds. We also believe the state has a responsibility for financially assisting the development of a statewide airport system. We oppose exclusive state administration and control of federal airport aids unless the state also provides significant financial assistance, from revenue sources not now used by municipalities for airport development purposes. The local public costs of construction and operation of airports of general area importance should be financed by the general area they serve. Cities and counties should have clear authority to provide noise zoning as to the use of property in flight paths.

H-3. **Public Transportation.** There is an increasing need for a comprehensive and coordinated public transportation system in Kansas, within and between cities. KDOT should provide technical assistance to local units. (See also Section H-1c)

Section I. COMMUNITY DEVELOPMENT

I-1. **Urban Conservation.** One of the principal purposes of cities is to improve the quality of life in our urban communities. This goal, we believe, will be secured in the future only if our national, state and local governments share an increased commitment to a policy of conserving our principal man-made resource--our cities. The achievement of this goal requires expanded efforts to preserve, protect and enhance the tremendous public and private investments in our cities, to conserve our existing housing supply, to conserve or redevelop our older downtown areas, to strengthen our neighborhoods and to better use land already serviced by public facilities, instead of encouraging dispersed growth and development. It means also expanded efforts to increase the attractiveness of the city as a place to live. Urban conservation is also important for the efficient use and conservation of our energy resources. The state of Kansas, its counties and other local units should take positive actions to discourage the residential and urbanized development of unincorporated areas.

I-2. **Historic Preservation.** Local governments should encourage the preservation of historic structures and neighborhoods. Expanded state incentives should be provided for the preservation, restoration and reuse of historic buildings in city business districts. We support legislation authorizing the granting of historic preservation easements by private property owners to historic preservation organizations and cities.

I-3. Comprehensive Planning.

I-3a. **Statewide Planning.** Local governments and regional agencies established by such local units should participate in the development of plans by state agencies that affect areawide or local plans and programs.

I-3b. **Regional Agencies.** (1) Multi-county regional planning commissions or associations should have governing councils substantially representative of the general governments therein and their elected officials. Such regional agencies should serve as a comprehensive and functional planning and coordinating agency for the area, provide technical and other staff services to its constituent units, and assist in the development of areawide and joint functions through interlocal cooperative agreements. To the maximum extent possible, all functional or single purpose planning activities of regional concern should be under the general umbrella of such regional agencies. Substate service and planning areas of Kansas state government should be geographically and functionally coordinated with such regional agencies.

I-3b(2). We support legislation specifically providing for such regional agencies, which should be separate from the present joint planning law, broadly written to meet varying area needs, and provide for the determination of council membership and voting power by mutual agreement of the participating counties and cities. We oppose granting to regional agencies the authority to levy taxes; neither should

they provide direct services to the public unless authorized to do so by ordinance or resolution of the governing body of the member unit or units of government receiving the service. The state should provide financial assistance to such agencies on a permanent basis.

I-3c. Local Planning. (a) Cities and counties are urged to undertake and support comprehensive and continuing land use planning and management programs. (b) We support a modernization of Kansas planning laws, many of which are based on model acts promulgated in the early part of this century and are not responsive to the current economic and regulatory problems facing Kansas cities and land developers. (c) We urge the legislature to undertake a comprehensive study of Kansas planning, zoning, subdivision and related laws. Consideration should be given to redefining the roles of local planning commissions and governing bodies in land use decision-making, more closely linking land use decisions to adopted comprehensive plans, providing greater flexibility to cities in the regulation of subdivisions, granting clear authority to cause the removal of non-conforming zoning uses after a reasonable period of time, and clarifying the authority to issue conditional use permits. (d) The legislature should amend Article 7 of Chapter 12 of the statutes to recognize the fact that state planning and zoning laws are general enabling statutes and that local legislation providing supplemental procedural or substantive provisions are not, by definition, in conflict with state law. (e) The amending of zoning ordinances should be defined as a legislative function. (f) The authority of cities to control the development of fringe areas adjacent to cities should be expanded and cities should be specifically authorized to require subdividers to pay a fee for open space and recreational purposes in lieu of land dedication. (g) Cities should be authorized to establish and enforce building standards in the fringe area not subject to county regulations.

I-4. Community Development. (a) **CDBG.** The federal community development block grant program (CDBG) should be continued, with sufficient funding and equitable distribution formulas so that Kansas cities of all sizes with serious needs can improve and redevelop their communities. (b) **Neighborhoods.** The state should encourage the improvement of moderate and low income neighborhoods through a system of income tax or privilege tax credits to businesses which contribute to nonprofit organizations for projects or programs approved by the city. (c) **Structures.** Cities should have authority to recover from the property owners the full costs of removing condemned dangerous structures from such property.

I-5. Housing.

I-5a. General. One of the continuing problems confronting Kansas is the need for decent, safe, sanitary and affordable housing, located in a suitable community environment. The national government should continue those housing programs which complement and are coordinated with overall community development programs and services. While most of the fiscal resources for meeting low income housing needs must come from the national government, our state and local governments must also be concerned that decent and affordable housing is available for all citizens, on a nondiscriminatory basis. Our national, state and local governments should give higher priority to the conservation of existing housing units.

I-5b. State Role. (a) Our state government should play an active role in housing, including the provision of technical assistance and housing planning grants to local units and regional agencies. (b) We generally support state establishment of a housing finance agency or other mechanism to provide credit for high-risk housing in areas of serious need, using private financial institutions wherever possible. (c) State tax laws and county assessment practices should encourage the maintenance and improvement of property, rather than reward its neglect.

I-5c. Local Role. Regional planning agencies should survey housing needs and promote areawide approaches for meeting those needs, using private resources and intergovernmental agreements. County governments should also become involved, and are urged to establish housing programs, especially in smaller communities. Cities should use their home rule powers to seek innovative approaches to housing problems and should remove unnecessary land use and construction requirements which discourage or impose excessive costs on new or renovated housing.

I-6. Building Regulations. The state should publish a statewide building code, with construction, plumbing, electrical and mechanical provisions, based on one of the nationally accepted model codes, which local governments can adopt by reference. State agencies working with and/or enforcing building regulations should be required to utilize such a state building code. The state code should apply to off-site manufactured housing, and provision made for a state-local certification program for manufactured housing. State owned facilities should be required to conform to a nationally recognized building code.

I-7. Signs and Billboards. Cities should continue to have authority to provide for the reasonable regulation of signs and billboards and to compel the removal of non-conforming signs. Since the value of signs is dependent on the publicly financed street, any compensation costs should be limited to the actual cost of removal. The financial costs of the forced removal of advertising adjacent to state highways and connecting links should be a state-federal responsibility.

I-8. Annexation. State laws should favor annexation to functioning cities as the preferred avenue of providing municipal services to unincorporated areas now urbanized or which will become urbanized in the foreseeable future. The legislature should provide cities with adequate and workable annexation authority, which will secure the long-term public interest and total community needs. Specifically, we recommend the following:

1. The acreage limits in the unilateral annexation procedures under K.S.A. Supp. 12-520(e) and (f) should be doubled, from 20 to 40 acres. County boards should not have authority to approve or disapprove annexations under K.S.A. Supp. 12-520.

2. The requirement in K.S.A. 12-520c, relating to the annexation of land not adjoining the city by petition of the owner and approval of the board of county commissioners, should be amended to exclude the requirement that the land must be located within the same county as the city.

3. The procedure for annexing land by petition to the board of county commissioners under K.S.A. 12-521 should contain a requirement that any county rejected annexation must be supported by written findings of fact as to the manifest injury which would result to the affected owners of property. County boards should not be required to formally approve a proposed annexation.

4. The owners or residents of land adjoining the city should not be granted a statutory right to vote on or consent to annexation. It is essential that the long-term public interest of the whole community be given priority in municipal growth, in the same manner that other, over-all community needs in an urban society occasionally require the sacrifice of some private goals and interests in order to achieve the greatest social utility of the area and benefits to the many. It is untenable that the owners of land within the fringe area, whose location has benefits primarily in relation to the existence of the city, should be given veto power over the geographic, economic and governmental destiny of the city.

I-9. County Urban Services. Some traditionally municipal-type services have become matters of countywide concern and could logically and equitably be administered and financed on a countywide basis. However, county governments should not provide urban-type services to areas adjacent to existing cities which are a part of an urban community but refuse annexation. Furthermore, county services of exclusive or primary benefit to limited areas of the county should not be financed by countywide taxes. City-county fiscal relations are becoming increasingly sensitive in Kansas, particularly where property within cities is "double-taxed", such as for county-township road and bridge improvements or for joint city-county programs financed by both city taxes and countywide taxes. The growth of rural, non-farm residential property serviced by countywide taxes is compounding the issue, and implementation of use value assessment of agricultural land may further shift the tax burden to property within cities.

I-10. Special Districts. (a) Existing, general purpose local governments are the logical and democratic units for the provision of local government services. State laws should prohibit the creation of special purpose districts where their intended purpose could be better accomplished by annexation to a city or by contractual agreements with cities. We recommend legislation establishing minimum standards for the creation of such districts and requiring the approval of appropriate planning commissions. (b) Restrictions should be placed on the extension of water lines by rural water districts to serve non-farm customers in areas surrounding cities, in order to prevent or discourage substandard, unsanitary and unregulated urban-type development within fringe areas and the destruction of farmland. We oppose state subsidization of rural water districts serving non-farm customers outside cities. State standards for water and sewerage service should apply uniformly to areas within and outside cities.

I-11. Municipal Utilities. (a) We believe the operation and control of municipally-owned utilities, including charges and delinquency penalties should be subject to local control. We strongly oppose any state legislative or administrative action subjecting such municipal utilities to state regulation (b) The transfer of moneys from municipal utility funds to the general fund of the city should continue as a matter of local determination. (c) We oppose the taxation of municipally-owned utilities. (d) Cable TV service companies should continue to be subject to unrestricted municipal franchising and supervision and we oppose exclusive federal control over cable telecommunications systems. (See also Section F-5e)

I-12. **Economic Development.** (a) Increased state and local efforts are necessary to promote the economic development of Kansas, including high technology development, and to provide job opportunities, for persons of all ages. (b) The Kansas department of economic development should be staffed and financially supported to provide technical assistance to local economic development efforts and to aggressively promote the economic development of Kansas.

I-13. **Parks and Recreation.** The urbanization of Kansas, increased leisure time, and changing life style factors are placing heavy demands on our existing public park and recreation facilities and services. We therefore recommend the following: (a) Counties, cities and schools should plan, develop and provide adequate indoor and outdoor recreation facilities for the future, working jointly whenever possible; (b) The governing bodies of cities and school districts should be authorized to establish a joint city-school recreation system, subject to a voter petition for a referendum; (c) Provision should be made to specifically authorize countywide financing of park and recreation programs; (d) Local park and recreation departments should be adequately staffed and trained to meet community needs; (e) Local government recreation and park interests should have increased representation on the Joint Council on Recreation, to permit more local input into the state's recreation policy and planning process; (f) The Kansas Park and Resources Authority should provide technical services to local units in the planning and development of facilities and programs to meet present and future needs; (g) The Authority should be directed to develop a plan for a state trails system, with special attention to the possible adverse impact on adjacent land owners; (h) Federal grants for the acquisition and development of recreation lands and facilities should be continued and should give high priority to serving the residents of cities.

Section J. ENVIRONMENTAL QUALITY

J-1. Water Supply.

J-1a. **Water Supply—General.** Effective management of the quantity, quality and utilization of our water resources, and the capacity of local government to fill the need for adequate public water supply, is vital for the future of Kansas and its communities. We urge such revisions of state water laws, including the state water plan storage act and the state water plan, as may be necessary to reflect the high priority for public water supply and state financial aid and technical assistance to support this objective. State water storage pricing should be based on direct costs, for existing reservoirs or reservoirs for which land has been acquired. The state should not attempt to make a profit from the sale of such water. We continue to oppose statewide assessments on the sale or use of any water until a comprehensive plan has been developed to guide the expenditure of such funds and to assure its commitment to public water supply development.

J-1b. **Water Supply—Needed Actions.** In light of the growing water concerns facing the state, we recommend affirmative actions be taken by the legislature to safeguard present and future community water supplies, including (1) clarifying the precise meaning of the language in K.S.A. 82a-707 concerning municipal use of water being preferred over all other uses in times of conflicts among uses, with the exception of domestic use, in light of the language immediately following declaring the date of priority of an appropriation right, and not the purpose of its use, shall determine the right to divert and use water during times of water shortage; (2) authorizing the chief engineer to grant an extension of time for the perfecting of an appropriation right whenever the extension is requested by a municipal applicant for the purpose of conserving water for future use; (3) directing Kansas water agencies to prepare and publish an annual inventory and evaluation of the adequacy of municipal water supply systems; (4) authorizing and encouraging agreements between cities and other water users which recognize that a substantial share of the water used for municipal purposes is later available for other uses; and (5) providing the Kansas water agencies with adequate authority and funding to assist local units of government in developing and implementing water shortage emergency and conservation plans. In addition, we support the further consolidation of all state water agencies into a single department, under a secretary appointed by the governor and confirmed by the senate. State laws and administrative procedures should provide for the vigorous enforcement and protection of municipal water supplies, both as to quality and quantity. Strong state and local public and private efforts are necessary to conserve our water supply. Local units should develop water storage emergency plans.

J-1c. **State Water Plan Update.** We are encouraged by the water policy dialogue currently underway as a result of the preliminary state water plan proposals of the Kansas water office. However, we feel at this time that the planning process and the proposals that are forth-coming from it should recognize these fundamental concerns and principles shared by the cities of Kansas: (1) Water supply and quality planning

must be an ongoing function of state and local governments. The planning efforts at both levels must be closely coordinated. (2) In recognition of the regional nature of water supply problems, proposals to raise state revenue to finance new water improvements (i.e., pipelines, impoundments, etc.) should provide for an equitable distribution of financial and other assistance in relation to the tax or other payments made by each regional area of the state. (3) The final state water plan should continue to recognize that in many cases the best level of government to plan, finance and manage water supply improvements is the local level. Strong efforts should be made, such as the proposed bond guarantee program, to encourage local and regional water supply programs. (4) The continued economic vitality of each of the regions of the state depends in large measure on assured supplies of water for all beneficial uses. All proposals to reallocate regional water supplies should give high priority to the water needs of the region of origin. (5) Kansas state government should play an active role in the development of new federally assisted water supply development projects.

J-1d. Drinking Water Standards. State and federal drinking water requirements should be reasonable, realistic and within the financial capacity of local governments and public water supply users. Media and customer notices should be required only upon evidence of health hazards. Expensive treatment standards should be required only where there is probable cause based on medical evidence that the absence of specified treatment will jeopardize public health.

J-2. Water Pollution.

J-2a. Water Pollution—Standards. State and federal waste water facility and treatment requirements should be based on reasonable water quality standards set for the receiving stream and on public health benefits and should not be established simply on effluent conditions or mechanical requirements. In view of the massive costs involved, our state and national water quality objectives and regulations should be revised, deadlines extended as necessary to match the availability of public funds, including assured federal grants and financially feasible wastewater treatment technology, and the emphasis placed on health benefits. The Kansas Department of Health and Environment should suspend enforcement of the 1988 water pollution standards compliance date if water quality is not substantially improved in the receiving stream until such time as federal or state funds are available to lessen the fiscal impact on cities. State and local units should be granted flexibility in utilizing federal grants in order to achieve those sewerage system improvements that secure the greatest public health benefits.

J-2b. Water Pollution—Financing. We urge continued congressional appropriations to the federal water pollution control fund. In addition, we recommend a state general fund appropriation of at least some proportion of the local government costs of all public water pollution control expenditures which are mandated by the state by order or standards. Such a contribution, we believe, would help establish realistic and workable standards, enhance the federal-state-local partnership and recognize that water quality is a matter of statewide concern. In addition, we recommend that sewerage service charges and special assessments for sewer extensions should be deductible for state income tax purposes.

J-3. Air Quality. Air quality controls and treatment requirements should be based on reasonable standards, proven technology, and regulations which are consistent with federal requirements and take into consideration improvement of the overall quality of life in Kansas, including its orderly economic development. Ambient air quality standards should recognize the particulate problem caused in Kansas by "fugitive dust."

J-4. Solid Waste. County governments should establish a countywide solid waste disposal system and/or financially assist city disposal operations. We support state restrictions on nonreturnable beverage containers. Local governments should encourage recycling efforts at the local level.

J-5. Storm Drainage. Cities need more flexibility in financing the construction and maintenance of storm water drainage projects, both within the city and in adjacent areas draining into the city.

J-6. Energy. The availability of an adequate and reliable supply of energy at a reasonable cost is vital to the future wellbeing of Kansas communities. We recognize that the development and overall management of energy resources is largely a national problem, but we urge Kansas state government to provide effective programs and leadership to prevent waste and secure the wise management of our energy resources, in cooperation with local units. Among other actions, we support legislation: (a) providing for the rendering of technical assistance to local governments as to energy management and conservation; (b) providing incentives for conservation and for the development of new energy sources provided any property

tax abatements for such purposes becomes a financial responsibility of the state; and (c) imposing minimum insulation requirements for new construction. Local units are urged to (a) develop comprehensive energy conservation policies, (b) remove regulations which needlessly impede the use of alternative energy sources, and (c) cooperate with other agencies in alleviating the impact of energy costs on low income persons.

Section K. HUMAN RESOURCES DEVELOPMENT

K-1. Education. Because of its major impact on the lives of individuals and the future of Kansas and its communities, quality of education is a concern which needs the increased attention of government officials at all levels. While our educational system must constantly strive to improve the quality of its programs, individual schools must reflect the needs of the community. Adequate vocational-technical education and training programs should be available for both adults and youth.

K-2. Public Health.

K-2a. Personal Health. Cities should work to achieve for their residents a sound, comprehensive local public health and personal health service program. We support a partnership between federal, state and local government and the private sector to provide basic physical and mental health services, with emphasis on preventative measures. All levels of government should continue to explore means of containing the spiraling cost of health care. We urge the legislature to appropriate funds for the new program of state aid to countywide health departments.

K-2b. Alcoholism and Drug Abuse. We urge continued state funding for comprehensive treatment programs for those affected by alcoholism and drug addiction, and prevention programs for those in danger of becoming so affected. The present method of distributing the revenue from the private club drink tax, as revised in 1982, should be continued. Any increase in the tax should be locally shared. The expense of providing workers' compensation coverage for DUI diversion service work should be a state expense.

K-2c. Environmental Health. Environmental health programs are necessary to assure health hazard and disease prevention and control. The state department of health and environment should be authorized to adopt minimum standards for (1) water supply and sewerage facilities not subject to city or county regulation and (2) mobile home courts located within the fringe areas of cities. Counties should adopt and enforce comprehensive sanitary codes applicable to areas not subject to municipal regulation. County governments should be required to accept financial responsibility for ambulance and emergency medical services.

K-3. Human Services.

K-3a. State-Federal Role. The state should be responsive to local governments in the administration and "pass-through" of federal funds. State/federal social and human services programs should be structured in a way that encourages local government involvement. The state and federal government should allow maximum local flexibility for development of programs responsive to individual communities.

K-3b. Role of Cities; Coordination. City officials should exercise a significant role in identifying the human service needs of their residents and help develop, coordinate and support programs and policies to satisfy these needs. Special attention must be given to our older citizens and to programs that provide employment opportunities and lessen poverty.

K-4. Equal Opportunity. Cities have both the legal and moral responsibility to end all forms of discrimination and to equally serve all the people without regard to race, color, religion, sex, age, national origin or ancestry, or handicap. Each citizen should be given the opportunity and encouraged to be gainfully employed. City officials should insure that those private and public agencies having contracts with the city fully comply with all applicable federal, state and local laws and regulations. Affirmative action programs should not be restricted to the area of employment but should embrace all areas of community life, including housing. Cities should provide leadership and effective use of their powers to ensure that discrimination and the effects of past discrimination are eliminated from the community. Cities should assume responsibility for the enforcement of equal opportunity laws and regulations wherever possible. Federal, state and local civil rights investigations should be better coordinated to prevent costly duplication.

K-5. **Justice.** Local officials must maintain vigilance in securing the fair and impartial enforcement of all laws and ordinances within their jurisdiction to achieve equal justice and opportunity for all without regard to race, color, religion, sex, age, national origin or ancestry, personal handicap, or economic status. Discrimination against aliens and migrants should be avoided.

Section L. MISCELLANEOUS

L-1. **Elections.** (a) **Referendums.** Local governing bodies should have broad discretion as to when referendums are held. We support legislation directing county election officers to administer advisory referendums proposed by cities under their home rule powers. (b) **Campaigning.** Local campaign financing act reporting requirements should not apply to candidates for city office who receive in contributions and spend less than \$300. (c) **Recalls.** Any petition for the recall of an elected officer should be certified to such officer before circulation and such officer should have the authority to obtain a declaratory judgement as to whether the petition meets statutory requirements. (d) **Costs.** The cost of countywide elections should continue to be financed countywide. (e) **Residency.** A uniform and consistent law is required as to the legal residency of elected officials, such as being a qualified elector at the time of election.

L-2. **Governmental Immunity.** (a) **State-Local.** Cities are encouraged to adopt comprehensive risk management and tort liability policy statements. We generally oppose state legislative efforts to expand the liability of public agencies or employees. Immunity from liability should be extended to cover local emergency preparedness activities in the same manner as state declared emergencies. To discourage the filing and growth of baseless and harrassing lawsuits, cities are encouraged to file claims for reimbursement of costs and attorney fees in defense of such lawsuits under the provisions of K.S.A. Supp. 60-2007. This law should be amended to also provided for the recovery of costs and reasonable attorney fees in instances in which expenses are incurred prior to trial and the lawsuit is discontinued by the plaintiff.

(b) **Federal-Local.** The U.S. Congress should restrict the application of the 1871 civil rights law (42 U.S. C. § 1983) to claims involving constitutional or civil rights statutes violations and should also provide the same immunities to governmental units as are extended to officers and employees; the "good faith" defense in civil rights actions should be restored for municipalities.

L-3. **Anti-Trust.** Congress should enact legislation shielding local units of government from potential anti-trust liability to the same extent as state government. The threat and cost of litigation resulting from anti-trust lawsuits will eventually have a serious, negative effect on the ability of city officials to govern and to provide important public services. In the event that prompt and responsible congressional action is not taken to provide anti-trust immunity to municipalities, we urge the state legislature to enact comprehensive legislation intended to grant Kansas local units of government immunity from federal anti-trust laws. Such legislation should not limit or restrict the constitutionally granted home rule authority of cities.

L-4. **Governmental Responsiveness.** The effectiveness of our system of government depends on an informed, concerned citizenry, and on a citizenry which has faith in our representative system. Public officials should endeavor to make government responsive, open and democratic as well as strive for efficient and effective public service.

L-5. **Open Meetings.** We recognize that the Kansas open meetings act has assured the openness of public decision-making to the media. On the other hand, we are concerned that the act in its current form fails to provide the informal discussion and interaction opportunities among governing body members outside formal meetings that is important for making sound public policy decisions. We recommend an amendment to the Kansas open meetings act that would change the definition of a meeting subject to the provisions of the act from one involving a majority of a quorum to one involving a quorum. In no case should the open meetings law forbid two members of a governing body from freely discussing issues and problems as long as no binding action is taken. Requests for notices of regular and special meetings should be required to be submitted annually and in writing.

L-6. **Beverages.** The sale of alcoholic beverages, where permitted, should be subject to municipal licensing, regulation and taxation. Cities should not be prohibited from imposing more restrictive hours on private clubs.

L-7. Eminent Domain. (a) The purpose, other than lawful corporate purpose, and the reasonableness of governmental eminent domain actions should continue as a legislative matter and should not be subject to judicial review. (b) Cities should not be required to pay the landowners' legal expenses, including attorney fees, when the owner appeals a court judgement on a city condemnation action and the court awards the same or a reduced amount. (c) The 15 percent interest on condemnation awards, under K.S.A. 26-511 and 16-204, is excessive and should be reduced. (d) City condemnation actions should not be subject to the approval of other governmental units.

L-8. Cities of 3rd Class. (a) We urge an interim legislative study of the feasibility of separating the areas within cities of the 3rd class from the township in which they are located. (b) K.S.A. 15-204 should be amended to provide that appointed officers continue in office until their successors are appointed and qualified.

L-9. Official Paper. K.S.A. 12-1651a should be amended to remove the requirement that the official city newspaper must be annually designated.

L-10. Cemeteries. Statutory penalties for the damaging or desecrating of cemeteries should be increased.

L-11. Telephone System. Local units should be provided the opportunity to access and use the state's KANS-A-N telephone system.

L-12. King Holiday. We support legislation to establish a holiday in honor of Martin Luther King, Jr., at both the state and federal levels. The same day should be designated if both state and federal legislatures designate such a holiday.

L-13. Racing and Lotteries. In view of the need for additional state and local revenue, we do not oppose a constitutional amendment authorizing state controlled parimutuel race betting and lotteries.



Testimony on S.B. 275
before the
House Assessment and Taxation Committee
by
Bill Curtis, Assistant Executive Director
Kansas Association of School Boards

February 14, 1984

Mr. Chairman and members of the Committee, we appreciate the opportunity to present the concerns of our member boards of education on the subject of reappraisal. Perhaps no topic causes greater concern among school board members than the specter of an immediate court-ordered reappraisal. We believe that the facts are clear. Present assessment practices in Kansas counties have resulted in tremendous variations in valuations of property, both between classes and within classes of property.

We believe that the success of any tax source depends on taxpayer acceptance of the relative fairness of the tax. Such cannot obviously be said presently of the property tax in Kansas. It is the perception of unfairness, more than any other single factor, which also causes resentment of the school finance formula in our state. If we expect the populace to continue to support adequate funding of public education in Kansas, something must be done to bring fairness or at least perceived fairness to the tax system which provides that funding.

An essential first step in that process is a statewide reappraisal of all property, such as that envisioned by S.B. 275 as amended.

Also, our members believe that once we have those reappraised values, some mechanism must be used to mitigate the tremendous tax shifts which would occur between classes of property if those values were used for levying taxes. After studying the issue extensively, our members have expressed overwhelming support for the idea of a constitutional amendment which would classify property values. We hope that this committee will give serious consideration to endorsing such an amendment in conjunction with this reappraisal study.

We believe that this issue is urgent, Mr. Chairman. It has, in our members minds, greater ramifications for the long term future of funding schools than any other single factor. The problems of reappraisal and classification have been studied endlessly. It is time for action. We appreciate the opportunity to express the views of our members.



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HOUSE ASSESSMENT AND TAXATION COMMITTEE

Mr. Chairman and members of the Committee, my name is Todd Sherlock and I represent the Kansas Association of REALTORS. I appear before you today to support, in part, reappraisal of real property in the state of Kansas. We recognize that real proerty has not been reappraised for some time now and the time to reappraise is at hand. We support uniform state wide reappraisal based upon fair market value with a method of updating property subject to taxation to determing its fair market value.

However, we recognize that a certain unfairness will exist if reappraisal is implemented without safeguards to the homeowner. The Kansas Association of REALTORS appears before you today recognizing full well the realities of reappraisal some time within the next few years, in not sooner. Once reappraisal occurs under the present law, there will be a significant shift in property taxes to the homeowner and farmer. This shift may occur differently in each county of Kansas depending upon the past appraisal values and the make-up of the different types of property in the county.

Since the last reappraisal in the 1960's, real estate values have increased more dramatically than in any other period of recent history. The shift in values will occur not only between classes, but also withing classes. Even with a constitutional classfication amendment, there will be significant shifts in taxation.

-Cont.-

EXHIBIT IX

2/14/84

We support a constitutional classification admendment coupled with a reappraisal bill. Of all the alternatives that have been proposed, we believe that a constitutional classification admendment is the only way to protect homeowners and farmers from unacceptable increases in property taxes. The property tax burden to finance the local school districts is now at an all time high. Also, many homebuyers in Kansas could be kept from qualifying for financing if property taxes are increased dramatically.

In short, unless a constitutional classification amendment is approved, the burden on homeowners is likely to be more than they can handle. The Kansas Association of REALTORS asks you to consider reappraisal of real property in Kansas, but to also understand the realities of what reappraisal might accomplish without a protective classification amendment in place.

Kansas Association of Counties

Serving Kansas Counties

Suite D, 112 West Seventh Street, Topeka, Kansas 66603

Phone 913 233-2271

February 14, 1984

HOUSE ASSESSMENT AND TAXATION COMMITTEE
Senate Bill 275 as amended

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

Thank you for the opportunity to present the position of the Kansas Association of Counties on Senate Bill 275, as amended.

Our association appeared last year in both the Senate and House Committees regarding the present legislation. We believe that the bill, in its original form, was the best compromise solution for all parties. It involved give and take. Through the efforts of a special committee of county officials, consisting of commissioners, clerks and appraisers under the stimulus of legislative leaders, SB 275 was conceived. We continue to believe that SB 275, in its original form, is the most palatable.

Although we have never supported a centralized computer which is operated, controlled and maintained by the State, it seems to be inevitable. We have continually been orally assured that the State does not want to take over the duties now at the County level. However, no one has been willing to commit themselves to that position in writing. If this continues to be the position, it would seem most proper and reassuring that a statement of that intent should be included in SB 275. The end of section 1 or 2 may be the most appropriate place for such a commitment.

Counties continue to be concerned that there are no restrictions on the use and application of a centralized computer. Somewhere, there must be a written plan of action for its use. A centralized system without restrictions or controls would, to us, appear to be an endorsement for unlimited application and use and an indication of support for centralized control, assessment and levy of taxes by the State.

Costs are a concern and counties would not oppose the state assuming the costs of reappraisal.

We ask for your favorable consideration of SB 275 after there has been written assurance and commitment that county government will be protected from State level mandates on local tax issues.

Thank You,

Steven R. Wiechman
Kansas Association of Counties

EXHIBIT X

2/14/84

TESTIMONY BEFORE
HOUSE ASSESSMENT AND TAXATION
FEBRUARY 14, 1984
BY
JANET STUBBS
HOME BUILDERS ASSOCIATION OF KANSAS

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

THE HOME BUILDERS ASSOCIATION OF KANSAS CONTINUES TO SUPPORT STATEWIDE REAPPRAISAL OF REAL PROPERTY AS A MEANS OF DATA COLLECTION IN ORDER TO ACCURATELY EVALUATE THE EFFECT OF IMPLEMENTATION OF SUCH REAPPRAISAL AND PRIOR TO A CLASSIFICATION AMENDMENT TO THE KANSAS CONSTITUTION.

WE URGE PASSAGE OF SB 275.

EXHIBIT XI

2/14/84

Farm Groups Vow Action Over Property Tax Ruling

By Steven Stingley
WORLD-HERALD BUREAU

Lincoln — A Nebraska Supreme Court ruling that said all real estate in the state must be valued uniformly for tax purposes is bad news for farmers, spokesmen for Nebraska farm groups said Friday.

"This is real bad news for farmers," said Neil Oxtou, president of the Farmers Union of Nebraska. "We're going to have to get something done in the Legislature dang quick, right now."

Bryce Neidig, president of the Nebraska Farm Bureau Federation, said: "I feel a little like I just got kicked in the stomach."

"I know there are some complexities to this case, but potentially it could double farmers' taxes. We can't take that."

The farm group leaders said they will study legislative options in the days ahead. "We've been taken aback," said Oxtou. "But we'll be paying a whole lot of attention from now on."

'Uniformly, Proportionately'

In an opinion filed Friday, the Supreme Court decided unanimously to overturn the Buffalo County District Court, which had ruled that the property tax valuation of the Kearney Holiday Inn was fair.

The Supreme Court said the hotel's valuation was unfair because the Nebraska Constitution required that "taxes shall be levied by valuation uniformly and proportionately upon all tangible property" and that farmland in Buffalo County was valued at a significantly lower level than the motel property.

According to the court's opinion,

Case at a Glance

Case: Kearney Convention Center vs. Buffalo County Board of Equalization.

Parties: Kearney Convention Center owns the Holiday Inn in Kearney, Neb. The board is responsible for making sure property valuations for tax purposes are equal.

History: Holiday Inn filed a protest of valuation of property in 1981 as determined by the Buffalo County Assessor. Valuation of the hotel increased from \$2.3 million in 1980 to \$3.6 million in 1981, or 53 percent. The board did not change valuation. Holiday Inn appealed to Buffalo County District Court, which upheld the board's decision. The case was appealed to the Nebraska Supreme Court.

Supreme Court decision: The higher court overturned the district court and board decisions. The Supreme Court opinion cited the difference in valuation for Holiday Inn, which was about 95 percent of actual market value, and Buffalo County farmland, which was about 44 percent of actual market value.

The reason: Supreme Court cited provision in the Nebraska Constitution that "taxes shall be levied by valuation uniformly and proportionately upon all tangible property."

Result: Buffalo County District Court was ordered to lower the Holiday Inn's valuation to 44 percent of actual value to ensure that it is uniform to farmland in the county. Other adjustments are expected across the state unless the Legislature does something that results in a change in the State Constitution.

farmland in Buffalo County was valued at about 44 percent of its actual value, while the Holiday Inn was valued at about 95 percent of its value.

The court acknowledged that the Buffalo County assessor had used manuals required by the state for assessing the values both of the motel and farmland.

Accounting for Inflation

It also acknowledged, and Holiday Inn officials had agreed, that the Holiday Inn's assessment was approximately equal to the motel's actual market value.

But, the court said, "with regard to all irrigated and dry cropland in Buffalo County, the situation is different."

Although the county assessor used

the proper manual and technique for computing the valuation of farmland, "nowhere in the facts before this court is there any testimony that this amount is actual value," the court's opinion states.

The chief reason for the discrepancy in the way the two types of property are valued, the court said, is that the manual county assessors use to compute valuations of farmland measures the value of the land in 1976 dollars. The manual does not account for the inflation since then, the court said, as does the manual for commercial and resi-

Please turn to Page 2, Col. 3

●Continued from Page 1

dential property.

"In this case, there is absolutely no correlation shown between the assessed values set for property classified as farmland and property classified as improved real estate," the opinion read.

The court ordered the Buffalo County District Court to reduce the Holiday Inn's valuation to 44 percent of actual value, which would equalize it with farmland in the county.

Shifting of Tax Burden

State senators and others said the decision will have both immediate and far-reaching ramifications.

"I certainly agree this will force a look at the valuation process," said Sen. Jerome Warner of Waverly. "I would also agree that the immediate result of this decision will be a shifting of the property tax burden to agricultural land."

State Tax Commissioner Donna Karnes called it a landmark decision but cautioned against overreaction because the decision won't have a major impact everywhere.

She said that in a taxing district, such as a school district, that contains mostly farmland or mostly residential-commercial property, there will be little change in who pays what amount of property taxes.

In taxing districts that have a fairly even split between rural and urban type property, there could be a major shift of the tax burden away from the urban areas and to the rural area, she said.

Ms. Karnes said there was a difference between property valuation for tax purposes and actual property taxes paid on that property.

Revamp Entire System

Even if the valuation goes up on a particular piece of property, that doesn't mean the actual taxes will go up because the tax levy could go down, she said. That doesn't mean that there won't be a change in who pays more or fewer taxes, she said.

Sen. John DeCamp said the court decision would be the catalyst needed to revamp the entire property tax system of the state. "This is the final piece to the jig-saw puzzle that will force the Legislature to make significant changes in our property tax laws," he said.

Lincoln Sen. Chris Beutler said the court's opinion is a "dramatic statement of what most serious students of this problem have always seen to be the law." He said the decision gives the Legislature no other choice "than to take a total overall look at the property tax situation in this state."

Bill Peters, a Lincoln tax attorney and former state tax commissioner, said the decision will "affect the entire (property) valuation system in the state. This has got to be one of the most significant property tax decisions made by the court in recent years."

Little Momentum

Peters said the decision will cause "a serious rethinking of the property tax situation at all levels of government" and will "give property tax relief a different complexion" in the Legislature.

Up to now, measures aimed at re-

ducing property taxes have gained little momentum in the Legislature. Nearly a dozen different bills have been introduced in the property tax area this year, and no major bill has been moved to the floor of the Legislature.

DeCamp said the court decision will force the Legislature to do something on property taxes because farmers will be pressuring their representatives to act to prevent the full impact of the court's decision from being felt.

"If you follow the Constitution and the law, the farmers will go bankrupt paying property taxes," DeCamp said. "This decision puts the farmers in the same position as everyone else, and he (the farmer) is not going to stand to get massacred."

DeCamp said the farmers and the state senators representing farm districts have been dragging their feet on efforts to make major changes to the property tax system because they realized they had a good tax situation.

Legislative Remedy

But the court decision "closes that loophole very quickly and in one swoop," DeCamp said.

Imperial Sen. Rex Haberman agreed that the court decision will force rural senators such as himself to come up with a legislative remedy. "We'll have to have a change. It will break them, otherwise."

DeCamp said homeowners will stand to gain from any change made to the tax system because there is no way to continue the blatantly different valuations for farmland and other kinds of property. DeCamp said the decision also will make it easier for him to get his proposed property tax lid passed.

The lid measure, which is contained in Legislative Resolution 17, is a constitutional amendment that would set the maximum property taxes paid at 1.5 percent of the value of the property.

DeCamp said the Constitution also should be changed so that farmland can be valued at a lower level than other property.

DeCamp is co-sponsor, along with Omaha Sen. David Newell, of LR 233, a proposed constitutional amendment that would allow different valuations for three different classes of property. The classes would be farmland, non-farmland and buildings.

Political Fight

Bellwood Sen. Loran Schmit has introduced LR 232, which would allow two different classes of property — farmland and non-farmland — for tax purposes.

Warner said he had reservations about changing the Constitution, and doubted whether voters would approve such a change. (All constitutional amendments must be approved by voters after they are approved by the Legislature.)

The fight over just what land classification system to put in the Constitution would become a political fight "in which the weakest political strength would tend to lose."

Asked if senators representing rural areas would be weakest politically, Warner said: "That is the potential."

What the Court Said About Property Tax Case

Following are excerpts from the Nebraska Supreme Court ruling on uniform property valuations:

"Plaintiff-appellant, Kearney Convention Center, Inc. (hereinafter taxpayer), is the owner of the Holiday Inn in Kearney, Buffalo County, Nebraska. The Buffalo County assessor assessed taxpayer's property for the year 1981 and fixed the actual value of the property at \$3,563,765. For the prior year the actual valuation was fixed by the assessor at \$2,304,430.

"The taxpayer timely filed a written protest with defendant-appellee, Buffalo County Board of Equalization (hereinafter County Board). At the hearing on this protest the County Board did not change the 1981 valuation. The taxpayer then timely appealed to the district court for Buffalo County, where the matter was submitted on a joint stipulation of facts. The trial court dismissed the petition on appeal and affirmed the action of the County Board. This appeal followed.

"On appeal the taxpayer's six assignments of error can be condensed to three points: (1) That the trial court erred in failing to find that two dissimilar methods of appraisal resulted in 'blatant disparity in actual value between urban and agricultural real estate (and) constitutes unlawful lack of uniformity and proportionality within a class (real estate);' (2) That the trial court erred in holding that the convention center's claim of disproportionate assessment required a comparison with all other types of property in Buffalo County; and (3) That the trial court erred in refusing to grant the convention center relief based on a lack of uniformity and proportionality of valuation.

"... we reverse and remand."

"The taxpayer's expert witness agreed that the ... valuation method used by the county assessor was a property technique; that the method was properly utilized by the assessor; and that 'the fair market value — actual value of the Kearney Holiday Inn was approximately equal to the valuation of \$3,563,765 set by the Buffalo County Assessor for the year 1981.'"

"We have, then ... a situation where the taxpayer and the county assessor have agreed, for all practical purposes, that the actual value of the taxpayer's improved property is \$3,563,765."

"With regard to all irrigated and dry cropland in Buffalo County, the situation is different. The county assessor ... concluded that the value of all such cropland in Buffalo County was \$219,504,741. Nowhere in the facts before this court is there any testimony that this amount is 'actual value.'"

"The taxpayer's expert goes on to testify that, 'In his opinion, based on his training, experience and review of his 1980-1981 appraisals of irrigated and dryland agricultural cropland properties in Buffalo County, including the use of comparative sales, the fair market value — actual value for all gradations of irrigated and dryland agricultural cropland for the year 1981 were uniformly undervalued by the Buffalo County Assessor by a multiplication factor of 2.25; that this uniform undervaluation results in irrigated and dryland agricultural cropland being uniformly valued at 44 percent of its actual value — fair market value.'"

"Article VIII ... of the Nebraska Constitution provides, with exceptions not material to this case, that 'taxes shall be levied by valuation uniformly and proportionately upon all tangible property ..."

"Following that constitutional command, the Nebraska Legislature has enacted Nebraska Revised Statute 77-201 (Reissue 1981), which provides, 'All tangible property and real property in this state, not expressly exempt therefrom, shall be subject to taxation, and shall be valued at its actual value. Such actual value shall be taken and considered as the taxable value on which the levy shall be made.'"

"'Actual value' has been held many times to mean exactly the same as market value or fair market value."

"The situation presented, then, in this case is one in which it is agreed between the taxpayer and the County Board that the taxpayer's improved real property is assessed at its actual value calculated on a 1981 dollar cost of reproduction less depreciation, and in which there is no agreement between the same parties on the actual value of farmland in the same county."

"In this case there is absolutely no correlation shown between the assessed values set for property classified as farmland and property classified as improved real estate. We reiterate that it is permissible to reasonably classify property for tax purposes and to use different methods to determine assessed value for different classifications of property. To comport with our Constitution's requirement that 'taxes shall be levied by valuation uniformly and proportionately upon all tangible property,' however, the results obtained by such permissible different methods must be in some way correlated so that the results shall be uniform and proportionate and shall not exceed actual value."

"In Grainger Brothers Co. v. Board of Equalization ... we stated, 'Under the Constitution of Nebraska, Article VIII, section 1, business inventories and real estate are in the same class for taxation purposes, and properties within the same class are required to be valued and assessed uniformly and proportionately in order that equalization obtain.' We now state that dry cropland, irrigated cropland, and all real estate, whether improved or not, are all tangible property of the same class for taxation purposes, as defined in our Constitution; and while such properties may be appropriately classified into logical subclassifications and different appropriate methods of determining values of such subclassifications may be utilized, the answers obtained as to the values of the various subclassifications of property must be correlated so that all tangible property shall be assessed uniformly and proportionately.

"The evidence in this case shows that that result has not been reached."

"On our review we hold that while the district court was correct in determining that the taxpayer's property was properly assessed at its actual value, the district court erred in determining that that value had not been 'unjustly and unfairly assessed in proportion to values assigned to all other property.'"

"Applying further that standard of review set out above, we find that the actual value of taxpayer's improved real property was properly determined to be \$3,563,765. We further find that taxpayer's property was not assessed uniformly and proportionately with other property, to wit, farmland, which we find, under evidence presented in this record, to be assessed at 44 percent of its actual value."

"In that situation we follow the principle set out in Sioux City Bridge v. Dakota County ... This Court holds that the right of the taxpayer whose property alone is taxed at 100 percent of its true value is to have his assessment reduced to the percentage of that value at which others are taxed even though this is a departure from the requirement of statute. The conclusion is based on the principle that where it is impossible to secure both the standards of the true value, and the uniformity and equality required by law, the latter requirement is to be preferred as the just and ultimate purpose of the law."

"We find that the assessment of taxpayer's property at its actual value should be reduced to 44 percent of that value to equalize the value of taxpayer's property with other property in Buffalo County, as required by the Constitution and statutes of the State of Nebraska."