

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT.

The meeting was called to order by Chairperson Nancy Brown at 1:30 p.m. on March 17, 1993 in Room 521-S of the Capitol.

All members were present.

Committee staff present: Michael Heim, Legislative Research Department
Theresa Kiernan, Revisor of Statutes
Lois Hedrick, Committee Secretary

Conferees appearing before the committee: Senator Audrey Langworthy
Representative Robert Tomlinson
Mayor Neale Peterson, Fairway
Gary Anderson, Councilman, Prairie Village
Wayne Vennard, Councilman, Prairie Village
Ed Stevens, Councilman, Prairie Village

Others attending: See Guest List, Attachment 1.

The Chairman opened the meeting by stating the **SB 153** will be discussed tomorrow, when she plans to have a summary of existing law and the amendments requested by the cities of Olathe and Overland Park; and work the bill next Tuesday.

Chairman Brown then opened the hearing on **SB 182**, concerning apportionment of local retailers' sales tax in Johnson County. Senator Audrey Langworthy appeared to express her support of the bill and urged its passage. Representative Tomlinson explained that the bill will benefit the smaller cities of the northeastern part of Johnson County who contract for services, such as fire and emergency services; and that the central issue is fairness within the county. (See his testimony, Attachment 2).

Mayor Neale Peterson, of Fairway, spoke in support of **SB 182**, describing the inequities of the allocation of local sales taxes between the participating units (see Attachments 3 and 4). He distributed Barbara Vernon's position paper on allocation of the taxes (Attachment 5).

Gary Anderson, Councilman of Prairie Village and Treasurer of Rural Fire District #2, appeared in support of the bill, (see Attachment 6).

Wayne Vennard, Councilman of Prairie Village, expressed support for the bill (see Attachment 7). He stated that when the proposal was undertaken, the mayors of the nine small cities in the northeastern part of the county met and then visited with the mayors in the other cities about the proposal. While they were not overjoyed with the possibility of losing some of their sales tax allocation through alteration of the formula, they did realize the problem of inequity and stated they would not come forward to oppose the proposal. Mr. Vennard stated that Sue Weltner, chairman of the Johnson County Commission, met with the Johnson County officials to discuss the proposal and the Commission does not oppose it, either.

Ed Stevens, Councilman of Prairie Village, testified on his support of **SB 182** (Attachment 8).

There being no other present to testify, the hearing on **SB 182** was closed. The Chairman stated her concerns that the bill alters tax policy and it is her intention to have someone from the Revenue Department to come before the Committee next Tuesday and discuss tax policy and the distribution formula.

Several questions were raised by committee members trying to determine the inequities existing in the present allocation formula created by disallowance of taxes paid for fire protection for those cities served entirely by a fire district.

Gerry Ray, Johnson County Commission, stated that the Commission, which she represents, is studying the bill for its effect on the county as well as the equity issue; and requests that the committee not take action for a few days to allow time for their study. The Chairman stated that the bill will be discussed next Tuesday.

Chairman Brown announced that at tomorrow's committee meeting a hearing will be held on **SCR 1613** (approving creation of the Coffeyville and Chanute joint port authority); and Theresa Kiernan will have a balloon amendment prepared on **SB 273** for committee discussion and possible action.

On motion of Representative Grant, seconded by Representative Packer, the Committee minutes of March 11, 1993 were approved.

The meeting was adjourned at 2:50 p.m. The next meeting is scheduled at 1:30 p.m., March 18, 1993 in Room 521-S of the State Capitol.

GUEST LIST

COMMITTEE: House Local Government

DATE: March 17, 1993

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Ed Slawson	Prairie Village	CITY of P.V.
DOUG CRUCE	LEAVENWORTH, KS	CITY OF MISSION HILLS
GARY ANDERSON	MISSION	CITY OF MISSION CONSOLIDATED FIRE DIST #2
Wayne Vennard	Prairie Village	City of P.V.
Rogers Brazier	Topeka	AOA-Legal
Bill Ervin	✓	DGA
DOUG CRAIG	✓	SETOFF PROGRAM
Mike Hicks	Prairie Village	Consol. Fire Dist. #2
BARBARA VERNON	✓ ✓	CITY OF PV
Ruth Hopkins	Prairie Village	City of PV
Russell H. Jones	Plains	
Monica Talavera	Prairie Village KS	City of PV
Steve Noll	Prairie Village, KS	City of P.V.
Neale R. Peterson	Fairway, KS	C. #3 IN NE JOHNSON CO
John B. Kemp	Prairie Village KS	City Council
		ATTACHMENT 1
		3-17-93

STATE OF KANSAS

BOB TOMLINSON
REPRESENTATIVE 24TH DISTRICT
STATE CAPITOL
TOPEKA, KS 66612-1504
913 296-7640
5722 BIRCH
ROELAND PARK, KS 66205
913 831-1905



TOPEKA

HOUSE OF
REPRESENTATIVES

March 16, 1993

COMMITTEE ASSIGNMENTS
MEMBER: EDUCATION
LOCAL GOVERNMENT
JOINT COMMITTEE ON PLANNING EDUCATION

Testimony Before the
House Local Government Committee

Mr. Chairman and Members of the Committee:

SB 182 is one of extreme importance to the communities which I serve. A tax is collected by Johnson County for the benefit of fire service. Cities large enough to maintain their own fire departments benefit from the tax.

The communities I represent are older, smaller and have a unified fire district. They do not benefit. The issue is one of fairness. A tax collected for fire protection should be distributed without regard for the structure this fire protection must take.

ATTACHMENT 2
3-17-93

NEALE R. PETERSON, MAYOR

STATEMENT TO THE HOUSE COMMITTEE

on

LOCAL GOVERNMENT

re: SB-182

WEDNESDAY, March 17, 1993

(Reading Time--2 minutes)

Madam Chair--members of the Committee: I'm Neale Peterson, where I am and have been for more than 30 years, Mayor of the City of Fairway in the 25th District. I'm here to offer testimony in support of Senate Bill 182.

This Bill would amend K.S.A. 12-192, the statute which establishes the formula used to allocate revenue from the county sales tax. The amendment would change the allocation method currently used in Johnson County. It would allow cities which are provided fire protection service by a Fire District to receive credit in the allocation formula for the amount paid by their taxpayers for fire protection.

I want to assure you that this legislation, if adopted, will not result in increased costs to the state or to the state's taxpayers. It would simply reallocate one percent of the \$24 million of revenue from the Johnson County 1/2 cent sales tax.

There is currently an inequity in the allocation formula for county sales tax revenue in Johnson County. The formula recognizes the taxes paid for fire protection in some - but not all - areas of the County.

The tax paid for fire protection, an essential city service, should be accorded the same treatment regardless of the governmental system used to provide that service. In Johnson County the only taxpayers who do not receive credit in the county sales tax allocation formula for the tax they pay for fire protection are those who live in cities served entirely by a Fire District.

SB-182

March 17, 1993

Nine cities in Johnson County, those in the northeast part of the county, are served by Fire District #2. Taxpayers in those cities pay an ad valorem property tax for fire protection to their Fire District. Since they do not pay that property tax to their City, they do not receive credit in the allocation formula for the property taxes they pay for fire protection.

In the past, other cities in Johnson County have obtained special legislation, which was adopted to protect their taxpayers from the inequity of the original formula.

As you know, we are here today to ask that you approve Senate Bill 182. If adopted, this legislation will revise the county sales tax allocation formula in Johnson County to recognize the taxes paid for fire protection by property owners in every city of the county. Approval of Senate Bill 182 would be the final step in eliminating inequity in the county sales tax allocation formula in Johnson County.

Let me emphasize again, this Bill will only revise the formula - it will affect a very small portion of that formula - and it will not call for any new taxes!

To close, I'll simply urge again, your support for this Bill.

SENATE BILL 182

AMENDMENT TO K.S.A. 12 - 192

To Include a City's cost of FIRE DISTRICT Services
In The County Sales Tax Revenue Allocation Formula

COUNTY SALES TAX REVENUE ALLOCATION **FORMULA**

1/2 — Based on Population

1/2 — Based on **Revenue Received From**
Ad Valorem Property Tax

ATTACHMENT 4-1
3-17-93

ORIGINAL LEGISLATION

Municipal (Owned) Fire Depts. — OK, costs included in city's Mill Levy

Contracted Fire Service — OK, costs included in city's Mill Levy

FIRE DISTRICTS — NO, costs not included. Separate Mill Levy

RECENT AMENDMENTS

- I. Overland Park — Received Legislature approval to DETACH from FIRE DISTRICT and contract for service (same personnel, same facilities, same equipment). Cost INCLUDED in Allocation Formula

- II. In 1991, Olathe, DeSoto, Gardner, Spring Hill — Were ANNEXING outlying areas that already had FIRE DISTRICTS. Legislature allowed these cities to INCLUDED ALL fire protections costs (which included FIRE DISTRICTS) in Allocation Formula

TODAY

Own Municipal Fire Depts. — Leawood, Lenexa,
Shawnee, etc.

Contract Services — Overland Park

Mixture — Olathe, DeSoto, et al - Municipal
Depts. and Fire Districts

Cost IN
Formula

ONLY FIRE DISTRICTS — Prairie Village, Mission,
Fairway, Roeland Park et al

Cost NOT
in Formula

9 of 21 cities in the county
15% of the county population

85% of the citizens of the county are receiving rightful
credit in the allocation Formula !

PRESS RECOGNIZES FIRE DISTRICT MILL LEVY AS A CITY COST

Nov. '92, *The Sun*

CITY TAX RATES

		Total City <u>Mill Levy</u>	
1.	Overland Park	10.579	
2.	Mission Woods	11.053	
3.	Mission	12.595	
4.	Westwood	15.992	
5.	Roeland Park	16.242	
6.	Lake Quivira	16.347	
7.	DeSoto	17.059	
8.	Westwood Hills	19.617	
9.	Gardner	20.262	
10.	Fairway	20.450	
11.	Merriam	22.243	
12.	Leawood	22.853	Actual
13.	Prairie Village	23.837	PV - 16.842
14.	Countryside	23.900	FD#2-6.995
15.	Shawnee	24.509	
16.	Mission Hills	26.427	
17.	Lenexa	26.988	
18.	Olathe	30.640	

(The SUN notes: "All figures include fire protection, even cities in the northeast that pay a separate fire protection mill levy.")

ATTACHMENT 4-5

3-17-93

5

NO NEW TAXES

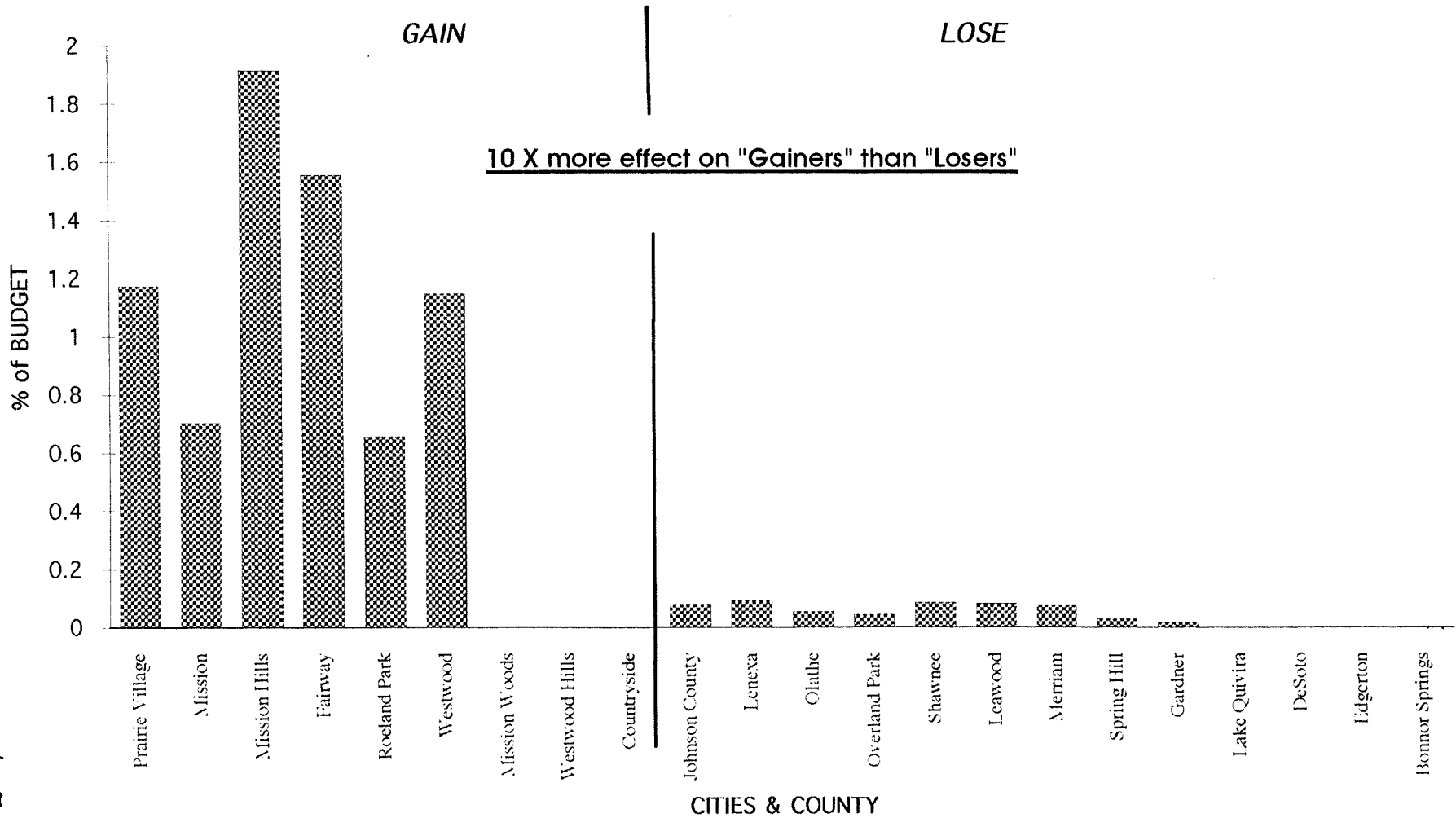
ONLY REDISTRIBUTION

Our estimate of the \$ effect of this Legislative action,
showing the % these amounts are of 1993 Budgets.

<u>GAINING</u>			(In Thousands)	<u>LOSING</u>		
Prairie Village	\$122.0	1.17%		Johnson County	\$164.0	0.08%
Mission	66.0	0.70%		Lenexa	39.6	0.09%
Mission Hills	54.0	1.91%		Olathe	37.2	0.05%
Fairway	27.6	1.55%		Overland Park	36.0	0.04%
Roeland Park	26.4	0.66%		Shawnee	15.6	0.09%
Westwood	15.6	1.15%		Leawood	14.4	0.08%
Mission Woods	3.6	—		Merriam	7.2	0.08%
Westwood Hills	2.7	—		Spring Hill	1.0	0.03%
Countryside	1.4	—		Gardner	1.0	0.02%

(Lake Quivira, DeSoto, Edgerton and Bonnor Springs lose less than
\$1,000 each.)

PERCENT OF BUDGET GAINED OR LOST



ATTACHMENT 4-7
3-17-93

IMPACT OF CURRENT LEGISLATION

1. Fails to recognize a city's legitimate cost of an essential service.
2. FIRE DISTRICT costs are recognized in some instances and not in others
3. Treats unfairly 15% of the citizens of the county where the cities are not receiving their entitled revenue
4. DISCOURAGES CONSOLIDATION of services
5. Penalizes the smaller, mature cities who aren't growing and can't afford independent fire protection service
6. Could jeopardize the quality of fire protection provided by Fire District #2 thereby adversely affecting all cities in the county

PASS SENATE BILL 182

ATTACHMENT 4-8

8

3-17-93

SENATE BILL No. 182

By Committee on Assessment and Taxation

2-3

AN ACT concerning the countywide retailers' sales tax; relating to the apportionment of revenue therefrom; amending K.S.A. 1992 Supp. 12-192 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 1992 Supp. 12-192 is hereby amended to read as follows: 12-192. (a) Except as otherwise provided by subsection (b), (d) or (h), all revenue received by the director of taxation from a countywide retailers' sales tax shall be apportioned among the county and each city located in such county in the following manner: (1) One-half of all revenue received by the director of taxation shall be apportioned among the county and each city located in such county in the proportion that the total tangible property tax levies made in such county in the preceding year for all funds of each such governmental unit bear to the total of all such levies made in the preceding year, and (2) except as provided by paragraph (3), $\frac{1}{2}$ of all revenue received by the director of taxation from such countywide retailers' sales tax shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county bears to the total population of the county, and second to the cities in the proportion that the population of each city bears to the total population of the county, except that no persons residing within the Fort Riley military reservation shall be included in the determination of the population of any city located within Riley county, or (3) one-half of all revenue received by the director of taxation from countywide retailers' sales taxes levied in Geary county in any year shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county less the population residing on a military reservation bears to the total population of the county less the population residing on a military reservation, and second to the cities in the proportion that the population of each city bears to the total population of the county less the population residing on a

1 military reservation. All revenue apportioned to a county shall be
2 paid to its county treasurer and shall be credited to the general fund
3 of the county.

4 (b) As an alternative and in lieu of the apportionment formula
5 provided in subsection (a), all revenue received by the Johnson
6 county treasurer from a countywide retailers' sales tax imposed at
7 the rate of 1% after the effective date of this act may be apportioned
8 among the county and each city located in such county in the fol-
9 lowing manner: (1) One-half of all such revenue shall be apportioned
10 in the manner prescribed by subsection (a) and (2) one-half of all
11 such revenue shall be apportioned as follows: (A) One-fourth shall
12 be apportioned among the county and each city located in such
13 county in the proportion that the total tangible property tax levies
14 made in such county in the preceding year for all funds of each
15 such governmental unit bear to the total of all such levies made in
16 the preceding year and (B) one-fourth shall be apportioned among
17 the county and each city located in such county, first to the county
18 that portion of the revenue equal to the proportion that the pop-
19 ulation of the county residing in the unincorporated area of the
20 county bears to the total population of the county, and second to
21 the cities in the proportion that the population of each city bears
22 to the total population of the county and (C) one-half shall be retained
23 by the county for its sole use and benefit.

24 (c) (1) Except as otherwise provided by *paragraph (2) of this*
25 subsection, for purposes of subsections (a) and (b), the term "total
26 tangible property tax levies" means the aggregate dollar amount of
27 tax revenue derived from ad valorem tax levies applicable to all
28 tangible property located within each such city or county. The ad
29 valorem property tax levy of any county or city district entity
30 or subdivision shall be included within this term if the levy
31 of any such district entity or subdivision is applicable to all
32 tangible property located within each such city or county. The
33 ad valorem property tax levy of any city in Johnson county
34 levied for the purpose of providing fire protection service shall
35 be included within the term "total tangible property tax levies"
36 regardless of its applicability to all tangible property located
37 within each such city.

38 (2) *For the purposes of subsections (a) and (b), any ad valorem*
39 *property tax levied on property located in a city in Johnson county*
40 *for the purpose of providing fire protection service in such city shall*
41 *be included within the term "total tangible property tax levies" for*
42 *such city regardless of its applicability to all tangible property located*
43 *within each such city. If the tax is levied by a district which extends*

1 *across city boundaries, for purposes of this computation, the amount*
2 *of such levy shall be apportioned among each city in which such*
3 *district extends in the proportion that such tax levied within each*
4 *city bears to the total tax levied by the district.*

5 (d) (1) All revenue received from a countywide retailers' sales
6 tax imposed pursuant to paragraph (2) of subsection (b) of K.S.A.
7 12-187, and amendments thereto, shall be remitted to and shall be
8 retained by the county and expended only for the purpose for which
9 the revenue received from the tax was pledged.

10 (2) Except as otherwise provided in paragraph (5) of subsection
11 (b) of K.S.A. 12-187, and amendments thereto, all revenues received
12 from a countywide retailers' sales tax imposed pursuant to paragraph
13 (5) of subsection (b) of K.S.A. 12-187, and amendments thereto, shall
14 be remitted to and shall be retained by the county and expended
15 only for the purpose for which the revenue received from the tax
16 was pledged.

17 (e) All revenue apportioned to the several cities of the county
18 shall be paid to the respective treasurers thereof and deposited in
19 the general fund of the city. Whenever the territory of any city is
20 located in two or more counties and any one or more of such counties
21 do not levy a countywide retailers' sales tax, or whenever such
22 counties do not levy countywide retailers' sales taxes at a uniform
23 rate, the revenue received by such city from the proceeds of the
24 countywide retailers' sales tax, as an alternative to depositing the
25 same in the general fund, may be used for the purpose of reducing
26 the tax levies of such city upon the taxable tangible property located
27 within the county levying such countywide retailers' sales tax.

28 (f) Prior to March 1 of each year, the secretary of revenue shall
29 advise each county treasurer of the revenue collected in such county
30 from the state retailers' sales tax for the preceding calendar year.

31 (g) Prior to December 31 of each year, the clerk of every county
32 imposing a countywide retailers' sales tax shall provide such infor-
33 mation deemed necessary by the secretary of revenue to apportion
34 and remit revenue to the counties and cities pursuant to this section.

35 (h) As an alternative and in lieu of the apportionment formula
36 provided in subsection (a) and if the same is approved by the elec-
37 torate, all revenue received by the Montgomery county treasurer
38 from a countywide retailers' sales tax imposed at the rate of 1% after
39 the effective date of this act shall be apportioned among the county
40 and each city located in such county, first to the county that portion
41 of the revenue equal to the proportion that the population of the
42 county residing in the unincorporated area of the county bears to
43 the total population of the county, and second to the cities in the

1 proportion that the population of each city bears to the total pop-
2 ulation of the county. The provisions of this subsection shall only
3 apply for the ~~five year~~ *five-year* period of time next following the
4 date upon which it is authorized.

5 Sec. 2. K.S.A. 1992 Supp. 12-192 is hereby repealed.

6 Sec. 3. This act shall take effect and be in force from and after
7 its publication in the statute book.

POSITION PAPER

ALLOCATION OF COUNTY SALES TAX REVENUE
FOR AD VALOREM PROPERTY TAX
LEVIED FOR FIRE PROTECTION
IN JOHNSON COUNTY

Contact for additional information:

Barbara Vernon
City of Prairie Village, Kansas
(913) 381-6464

ATTACHMENT 5-1

3-17-93

REQUEST FOR AMENDMENT TO COUNTY SALES TAX ALLOCATION FORMULA

An inequity exists in the distribution formula for county sales tax revenue. The formula, established in K.S.A. 12-192 (See Appendix I), recognizes the method of payment of taxes for public safety services rather than the amount paid for those essential city services. As a result, certain taxing entities served by Fire Districts do not receive credit in the county sales tax distribution formula for the ad valorem property taxes paid by their property owners for fire protection. The formula, as it is presently administered, is based on form rather than substance.

The economic reality is that all taxpayers are assessed an ad valorem property tax to finance the cost of fire protection. In some cases the ad valorem property tax is assessed by a city; the service is provided by city personnel, or through a contractual agreement with a Fire District or another jurisdiction. In some cases fire protection is provided by a Fire District which assesses an ad valorem property tax for the service.

Police and fire protection are essential government services. Ad valorem property taxes paid for those services should be recognized in the county sales tax allocation formula regardless of the method by which the services are provided.

The original legislation, which recognized only city-provided fire protection services for credit in the county sales tax allocation formula, has been amended to correct some - but not all - of its inequities. A minor amendment to K.S.A. 12-192 will eliminate the remaining inequities for Johnson County cities.

The cities in Johnson County which will benefit from the change recommended herein are mature cities with declining population, increasing infrastructure maintenance/public safety costs and static revenue sources. These cities must develop ways to provide all services in the most effective, economical manner.

Fire protection is a basic, essential government service. The cost to provide fire protection and related services is increasing. A small city in Johnson County cannot afford to provide the quality of fire protection necessary in an urban area. Several small cities in Johnson County, which make use of the economy and effectiveness of a single Fire District, are penalized for this consolidation by the county sales tax allocation formula.

A simple change in the language of K.S.A. 12-192 will provide equity for taxpayers now being denied the credit they should receive for ad valorem property taxes paid for fire protection. It will recognize that cities must provide essential services in the most effective manner available to them. It will ensure that cities are not penalized for working together to provide services which become more expensive and complex each year. It is a change that will recognize the unique problems in Johnson County by using the power of state legislation to ensure equity in the County.

BACKGROUND

There are several systems of fire protection throughout the state. The original county sales tax allocation formula adopted by the state (K.S.A. 12-192) recognized only taxes levied by cities. Originally, if fire protection was not provided by a city or financed through a city's ad valorem property tax, the tax paid for the service was not recognized in the county sales tax allocation formula. Amendments made to the original legislation have corrected some, but not all of the inequities in the original law.

City officials in Overland Park recognized the inequity of the original county sales tax allocation formula which discriminated against their city's taxpayers for whom fire protection was provided by Fire Districts. These officials prevailed on their legislators to allow Overland Park to detach from the Fire Districts which served the city. The city then contracted with the same Fire Districts to continue the service and increased their city ad valorem property tax by the amount required to finance the contracts. Because of these contractual arrangements, Overland Park taxpayers now pay for fire protection services through the city's ad valorem property tax rather than through a Fire District ad valorem property tax. Those taxpayers receive the same service from the same Fire District personnel as they did in the past; however, now they receive credit for purposes of the county sales tax allocation formula for the tax which they have always paid for fire protection.

In 1991, Senate Bill 24 (See Appendix II) was adopted to protect Johnson County cities that operate municipal fire departments from being penalized by the presence of non-detached Fire District territory within their city limits. This legislation was adopted to adjust the county sales tax allocation formula to reflect the ad valorem property tax levy for all fire services in the cities of Olathe, DeSoto, Gardner, and Spring Hill because they have both municipal and District provided fire services. These cities reduce the general operating fund mill levy for residents who receive fire protection from a Fire District. Senate Bill 24 allows these cities to receive credit in the county sales tax allocation formula for the total amount of the ad valorem property tax even though a portion of it is paid directly to a Fire District.

A minor change to the current language of the statute would remedy an inequity and not significantly affect taxpayers in other cities. The change recommended is attached in full as Appendix III, it would amend K.S.A. 12-192 Section 1 (c) (1) by eliminating the following language:

The ad valorem property tax levy of any city in Johnson county levied for the purpose of providing fire protection service shall be included within the term "total tangible property tax levies" regardless of its applicability to all tangible property located within each such city.

ATTACHMENT 5-3

A new section 1 (c) (2) would then be added to read:

For the purposes of subsections (a) and (b) , any ad valorem property tax levied on property located in a city in Johnson County for the purpose of providing fire protection service in such city shall be included within the term "total tangible property tax levies" for such city regardless of its applicability to all tangible property located within each such city. If the tax is levied by a district which extends across city boundaries, the amount of such levy shall be apportioned among each such city in which such district extends in the proportion that such tax levied within each city bears to the total tax levied by the district.

This change would provide additional revenue from the county sales tax allocation formula for nine of Johnson county's twenty-one cities. The following figures reflect the estimated gain and loss for each of the cities in Johnson County if the change had been in effect in 1991 (these figures do not reflect changes which were made by the 1991 legislation for Olathe, Spring Hill, Gardner and Edgerton):

GAIN:	Prairie Village	+ \$122,000
	Mission	+ 66,000
	Mission Hills	+ 54,000
	Fairway	+ 27,600
	Roeland Park	+ 26,400
	Westwood	+ 15,600
	Mission Woods	+ 3,600
	Westwood Hills	+ 2,700
	Countryside	+ 1,400
 LOSS:	 Johnson County	 - 164,400
	Lenexa	- 39,600
	Olathe	- 37,200
	Overland Park	- 36,000
	Shawnee	- 15,600
	Leawood	- 14,400
	Merriam	- 7,200
	Spring Hill	- 1,080
	Gardner	- 1,080
	Lake Quivera	- 600
	De Soto	- 600
	Edgerton	- 480
	Bonner Springs	- 180

Those cities identified above which will lose money when this change is made are primarily in high growth areas, their share of revenue from the county sales tax allocation will continue to increase through new development. The cities identified as those which will gain revenue from this change are all mature, developed cities which do not anticipate increase in population or assessed valuation; their share of revenue from the county sales tax allocation will continue to decline.

COUNTY SALES TAX ALLOCATION FORMULA

The county sales tax is distributed to cities and the county based on a formula which recognizes total population and ad valorem property tax assessment by cities and the county.

One-half of the county sales tax revenue is allocated to each city in an amount which reflects that city's percentage of the total county population. For example, if a county has a total population of 200,000 and one of its cities has a population of 20,000, that city will receive 10% of the revenue from the population portion of the formula. If the county in this example collects sales tax in the amount of \$1 million, \$500,000 (1/2 of the total county sales tax collected) will be distributed based on population, the city in the example will receive 10% or \$50,000.

The remaining one-half of the county sales tax revenue is allocated to each city in an amount which reflects that city's percentage of the total revenue from the ad valorem property tax of all cities and the county. For example, if the ad valorem property tax revenue of all cities and the county totals \$5 million and one of the cities in that county levies \$1 million in ad valorem property taxes, that city will receive 20% of the county sales tax revenue from the property tax portion of the formula. If the county in the example collects county sales tax in the amount of \$1 million, \$500,000 (1/2 of the total county sales tax collected) will be distributed based on total ad valorem property tax collected throughout the county; the city in the example will receive 20% of this one-half of the total county sales tax, or \$100,000.

The city in these examples will receive total revenue of \$150,000 from the county sales tax. (See Illustration I).

Illustration I COUNTY SALES TAX ALLOCATION FORMULA

County sales tax revenue	\$1,000,000
Total County population	200,000
Total county and city revenue from ad valorem property taxes (not including special districts)	\$5,000,000

Example City:

- (1) Population is 20,000 which is 10% of total County population of 200,000
- (2) Ad valorem tax revenue is \$1,000,000 which is 20% of the total ad valorem tax assessed countywide

County sales tax computation for Example City:

County sales tax revenue of \$1 million will be divided in half; one-half (\$500,000) will be allocated to cities based on population and the other one-half (\$500,000) will be allocated based on ad valorem property tax revenue.

$$(\$500,000 \times 10\%) + (\$500,000 \times 20\%) = \$150,000$$

(The Example City will receive 15% of total county sales tax revenue)

When city and/or county population changes in a county, and when city and/or county ad valorem tax revenue increases in a county due to growth in assessed valuation or ad valorem property tax rate increases, the formula percentages change. Cities which grow in population and/or assessed valuation automatically increase their percentage of the county sales tax revenue at the expense of slow-growth and fully developed cities. A dramatic example of that shift is depicted in Illustration II. The population percentage and ad valorem property tax percentage in the Illustration have been added for each city providing a combined percentage for ease of comparison.

Illustration II
COUNTY SALES TAX REVENUE ALLOCATION
 Percentage comparison for the years 1975 and 1990
 Cities in Johnson County Kansas

City	% of total tax to be allocated	% of total tax to be allocated
	1975	1990
Countryside	.09	.08
* DeSoto	.49	.40
* Edgerton	.19	.28
Fairway	1.48	.91
* Leawood	4.01	4.87
* Lenexa	5.05	10.93
* Merriam	3.49	2.86
Mission	2.85	1.49
Mission Hills	.95	1.39
Mission Woods	.05	.04
* Olathe	9.52	13.67
* Overland Park	25.16	20.86
Prairie Village	8.00	4.80
Roeland Park	2.44	1.35
* Shawnee	7.00	7.00
* Spring Hill	.48	.49
Westwood	.45	.34
Westwood Hills	.13	.09
Johnson County	26.95	28.41

The cities of Lenexa and Olathe grew dramatically in assessed valuation and population during the fifteen year period between 1975 and 1990. Their share of the county sales tax allocation also increased. Mature cities like Prairie Village and Mission received less revenue from the county sales tax allocation because they had little or no growth in that fifteen year period. Their percentage of both population and ad valorem property tax revenue declined as a percent of the total in the county between 1975 and 1990.

In the cities listed above all property owners pay an ad valorem property tax for fire protection services. Only property owners in those cities which are starred (*) receive credit for that tax payment when the county sales tax allocation is calculated.

ATTACHMENT 5-6

Mature cities in Johnson county face severe financial hardships in the coming years. In these older cities costs for infrastructure maintenance and public safety services are increasing rapidly. Major revenue sources for these cities are static, many are declining. It is essential that taxpayers of these mature cities receive credit in the county sales tax allocation formula for the tax which property owners pay for fire protection.

OPTIONS FOR RESOLVING THE INEQUITY

1) A city which is served by a Fire District can request special legislation similar to that adopted for the City of Overland Park. The city for which such legislation is approved could then detach itself from the Fire District and contract with the District to provide service. A city could also detach itself by a petition procedure of 10% of the landowners. In either case, the City would increase its ad valorem property tax mill levy to finance the contract cost, thereby increasing the city's revenue from this tax without changing property owners' total tax liability. This increased city ad valorem tax revenue would automatically increase the city's percentage of revenue from the tax portion of the county sales tax allocation formula.

This lengthy procedure would create costs for the city which would have to be financed by the taxpayers. Significant staff time and legal fees would be required to accomplish the legislation, petitions, and agreements necessary to make it possible for the city to charge for fire protection. After all the costs were paid, the city would be allowed to finance the existing fire protection service at the same rate but in such a way that it "fits" statutory requirements for credit in the county sales tax allocation formula.

Fire Districts which serve several jurisdictions could be adversely affected by this action. They too would incur costs for legal fees related to contractual arrangements with several jurisdictions. Staff time negotiating fees and services could be significant and ongoing. The Fire Districts could be unable to develop long range plans because of the possibility that one or more cities would not renew the contract at some time in the future. Without a tax base, these Fire Districts would be unable to issue government bonds to finance major equipment purchases.

Cities have ad valorem tax lid limitations. Those cities near their limit could be required to have an election to increase the ad valorem tax levy to accommodate payment for services to the Fire District. The election expense would do nothing more than shift the ad valorem property tax from one jurisdiction to another; a change in form not substance.

2) A class action suit could be brought by property owners who receive fire protection service from a Fire District to establish the inequity of the county sales tax allocation formula. This would be costly for the property owners who initiate the action and for all property owners who would pay legal and other costs involved in such an action.

ATTACHMENT 5-7

3) State statute could be amended as previously discussed herein. This legislation would impact Johnson County only and would make clear the legislative intent that property owners in the county who pay for fire protection through an ad valorem property tax would receive credit for the tax they pay for that protection. The cost of this change would be as minor as the change itself.

REQUEST

This request is for legislation which will resolve the inequity in Johnson County and not have an effect on the rest of the state.

Fire protection is a basic government service to ensure the public safety. Fire District ad valorem property tax levies can be clearly identified as essential to every resident and business owner in a community, unlike other district ad valorem property tax levies such as those for parks and libraries. In this way Fire District tax levies are unique and should be included as part of the county sales tax allocation formula.

Fire protection is an expensive government service. The cost of equipment, personnel, and training in fire departments has increased dramatically during the past few years, this trend will continue. Small cities cannot afford to provide the quality of fire protection service which is necessary in an urban area. Tax dollars can be spent more effectively by a Fire District which serves more than one city. Current statutes discourage consolidation of fire service by cities since they would be penalized by the county sales tax allocation formula if the consolidated district levied its own ad valorem property tax.

A simple change in the language of K.S.A. 12-192 will provide equity for taxpayers now being denied the credit they should receive for ad valorem property taxes paid for fire protection. This simple change will enable Fire Districts to plan for the future in a way which will ensure public safety at a reasonable cost.

a:sltx

ATTACHMENT 5-8

APPENDIX

ATTACHMENT 5-9
3-17-93

GENERAL PROVISIONS

12-192

in such year, such revenue shall be credited to the funds of the taxing subdivision or subdivisions and shall be carried forward to the credit of such funds for the ensuing budget year in the manner provided for carrying forward balances remaining in such funds at the end of a budget year.

History: L. 1978, ch. 56, § 5; July 1.

Source or prior law:
12-176.

12-192. Same; apportionment of revenue from countywide retailers' sales tax; notification of state sales tax collected in county for preceding year. (a) All revenue received by any county treasurer from a countywide retailers' sales tax shall be apportioned among the county and each city located in such county in the following manner: (1) One-half of all revenue received by the county treasurer shall be apportioned among the county and each city located in such county in the proportion that the total tangible property tax levies made in such county in the preceding year for all funds of each such governmental unit bear to the total of all such levies made in the preceding year and (2) except as provided by paragraph (3), one-half of all revenue received by the county treasurer from such countywide retailers' sales tax shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county bears to the total population of the county, and second to the cities in the proportion that the population of each city bears to the total population of the county or (3) one-half of all revenue received by the county treasurer of Geary county from countywide retailers' sales taxes levied in any year shall be apportioned among the county and each city located in such county, first to the county that portion of the revenue equal to the proportion that the population of the county residing in the unincorporated area of the county less the population residing on a military reservation bears to the total population of the county less the population residing on a military reservation, and second to the cities in the proportion that the population of each city bears to the total population of the county less the population resid-

ing on a military reservation. All revenue retained by the county shall be paid into the general fund of the county.

(b) For purposes of subsection (a), the term "total tangible property tax levies" means the aggregate dollar amount of tax revenue derived from ad valorem tax levies applicable to all tangible property located within each such city or county. The ad valorem property tax levy of any county or city district entity or subdivision shall be included within this term if the levy of any such district entity or subdivision is applicable to all tangible property located within each such city or county.

(c) All revenue apportioned to the several cities of the county shall be paid to the respective treasurers thereof. Whenever the territory of any city is located in two or more counties and any one or more of such counties do not levy a countywide retailers' sales tax, or whenever such counties do not levy countywide retailers' sales taxes at a uniform rate, the revenue received by such city from the proceeds of the countywide retailers' sales tax shall be used for the purpose of reducing the tax levies of such city upon the taxable tangible property located within the county levying such countywide retailers' sales tax, except when the county which does not levy a countywide sales tax has within its bounds a portion of the Fort Riley military reservation, the city in the county which levies the tax shall be exempt from this requirement. In every other case, all revenue received by a city from the proceeds of a city or countywide retailers' sales tax shall be deposited in the general fund of such taxing subdivision.

(d) Prior to March 1 of each year, the director of taxation shall advise each county treasurer of the revenue collected in such county from the state retailers' sales tax for the preceding calendar year.

History: L. 1978, ch. 56, § 6; L. 1980, ch. 61, § 1; L. 1981, ch. 66, § 1; L. 1981, ch. 67, § 1; L. 1982, ch. 65, § 1; April 15.

Source or prior law:
12-177.

ATTACHMENT 5-10

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APPENDIX II

(Excerpt of Senate Bill No. 24 Session of 1991)

41 *[Sec. 3. K.S.A. 1990 Supp. 12-192 is hereby amended to read*
42 *as follows: 12-192. (a) Except as otherwise provided by subsection*
43 *(b) or (d), all revenue received by the director of taxation from a*
1 *countywide retailers' sales tax shall be apportioned among the county*
2 *and each city located in such county in the following manner: (1)*
3 *One-half of all revenue received by the director of taxation shall be*
4 *apportioned among the county and each city located in such county*
5 *in the proportion that the total tangible property tax levies made in*
6 *such county in the preceding year for all funds of each such gov-*
7 *ernmental unit bear to the total of all such levies made in the*
8 *preceding year, and (2) except as provided by paragraph (3), 1/3 of*
9 *all revenue received by the director of taxation from such countywide*
10 *retailers' sales tax shall be apportioned among the county and each*
11 *city located in such county, first to the county that portion of the*
12 *revenue equal to the proportion that the population of the county*
13 *residing in the unincorporated area of the county bears to the total*
14 *population of the county, and second to the cities in the proportion*
15 *that the population of each city bears to the total population of the*
16 *county, except that no persons residing within the Fort Riley military*
17 *reservation shall be included in the determination of the population*
18 *of any city located within Riley county, or (3) one-half of all revenue*
19 *received by the director of taxation from countywide retailers' sales*
20 *taxes levied in Geary county in any year shall be apportioned among*
21 *the county and each city located in such county, first to the county*
22 *that portion of the revenue equal to the proportion that the pop-*
23 *ulation of the county residing in the unincorporated area of the*
24 *county less the population residing on a military reservation bears*
25 *to the total population of the county less the population residing on*
26 *a military reservation, and second to the cities in the proportion*
27 *that the population of each city bears to the total population of the*
28 *county less the population residing on a military reservation. All*
29 *revenue apportioned to a county shall be paid to its county treasurer*
30 *and shall be credited to the general fund of the county.*

31 *[(b) As an alternative and in lieu of the apportionment formula*
32 *provided in subsection (a), all revenue received by the Johnson*
33 *county treasurer from a countywide retailers' sales tax imposed at*
34 *the rate of 1% after the effective date of this act may be apportioned*
35 *among the county and each city located in such county in the fol-*
36 *lowing manner: (1) One-half of all such revenue shall be apportioned*
37 *in the manner prescribed by subsection (a) and (2) one-half of all*
38 *such revenue shall be apportioned as follows: (A) One-fourth shall*
39 *be apportioned among the county and each city located in such*
40 *county in the proportion that the total tangible property tax levies*
41 *made in such county in the preceding year for all funds of each*
42 *such governmental unit bear to the total of all such levies made in*
43 *the preceding year and (B) one-fourth shall be apportioned among*

ATTACHMENT 5-11

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1 the county and each city located in such county, first to the county
2 that portion of the revenue equal to the proportion that the pop-
3 ulation of the county residing in the unincorporated area of the
4 county bears to the total population of the county, and second to
5 the cities in the proportion that the population of each city bears
6 to the total population of the county and (C) one-half shall be
7 retained by the county for its sole use and benefit.

8 [(c) Except as otherwise provided by this subsection, for purposes
9 of subsections (a) and (b), the term "total tangible property tax
10 levies" means the aggregate dollar amount of tax revenue derived
11 from ad valorem tax levies applicable to all tangible property located
12 within each such city or county. The ad valorem property tax levy
13 of any county or city district entity or subdivision shall be included
14 within this term if the levy of any such district entity or subdivision
15 is applicable to all tangible property located within each such city
16 or county. The ad valorem property tax levy of any city in Johnson
17 county levied for the purpose of providing fire protection service
18 shall be included within the term "total tangible property tax levies"
19 regardless of its applicability to all tangible property located within
20 each such city.

21 [(d) All revenue received by any county treasurer from a coun-
22 tywide retailers' sales tax imposed pursuant to paragraph (2) of
23 subsection (b) of K.S.A. 12-187, and amendments thereto, shall be
24 retained by the county and expended only for the purpose for which
25 the revenue received from the tax was pledged.

26 [(e) All revenue apportioned to the several cities of the county
27 shall be paid to the respective treasurers thereof and deposited in
28 the general fund of the city. Whenever the territory of any city is
29 located in two or more counties and any one or more of such counties
30 do not levy a countywide retailers' sales tax, or whenever such
31 counties do not levy countywide retailers' sales taxes at a uniform
32 rate, the revenue received by such city from the proceeds of the
33 countywide retailers' sales tax, as an alternative to depositing the
34 same in the general fund, may be used for the purpose of reducing
35 the tax levies of such city upon the taxable tangible property located
36 within the county levying such countywide retailers' sales tax.

37 [(f) Prior to March 1 of each year, the secretary of revenue shall
38 advise each county treasurer of the revenue collected in such county
39 from the state retailers' sales tax for the preceding calendar year.

40 [(g) Prior to December 31 of each year, the clerk of every county
41 imposing a countywide retailers' sales tax shall provide such infor-
42 mation deemed necessary by the secretary of revenue to apportion
43 and remit revenue to the counties and cities pursuant to this section.]

- 1 Sec. 3 [4]. K.S.A. 19-3616 and K.S.A. 1990 Supp. 13-796 to
- 2 ~~13-7,101, inclusive, [12-192, and 13-796 to 13-7,101, inclusive,]~~
- 3 are hereby repealed.
- 4 Sec. 4 [5]. This act shall take effect and be in force from and
- 5 after its publication in the statute book.

ATTACHMENT 5-13
3-17-93

TESTIMONY BEFORE THE KANSAS HOUSE OF REPRESENTATIVES
LOCAL GOVERNMENT COMMITTEE ON MARCH 16, 1993

Madam Chairman and Members of the Committee -

My name is Gary Anderson and I am a councilman from the City of Mission and I am also the immediate past chairman and current treasurer of Consolidated Fire District No. 2, Northeast Johnson County. Our district serves approximately 55,000 residents of 10 cities in Northeast Johnson County. Fire District No. 2 is a perfect example of functional governmental consolidation, which we as elected officials are all trying to encourage. Fire protection is an essential governmental service and should be provided in the most cost efficient manner and we believe at Fire District No. 2 that we are providing fire protection in a very cost efficient manner for our 10 cities.

However, the taxpayers of 9 of these cities in Northeast Johnson County are being penalized for providing fire protection in this very efficient manner since the ad valorem tax they pay to Fire District No. 2 is not included in the definition of "total tangible property tax levies" for purposes of the formula used to allocate the Johnson County one-half cent sales tax. The taxpayers in these cities are all paying for fire protection, but are not receiving equitable treatment under the countywide sales tax allocation formula. Senate Bill 182 will correct this inequity and provide that all amounts paid for fire protection are included in the sales tax allocation formula regardless if such amounts are paid to a city or a fire district in Johnson County. An example of the inequity is that Fire District No. 2 contracts with the City of Overland Park to provide fire protection for part of that city. Since Overland Park pays Fire District No. 2 with general fund revenue they are able to count the contract payment in the sales tax allocation formula, whereas the other 9 cities served by Fire District No. 2 are precluded.

If any other cities in Johnson County would desire to provide fire protection by merging with an existing fire district or creating a new fire district, they would probably not proceed since **current law discourages consolidation** because of the sales tax allocation formula. Current law discourages this by reducing the amount of sales taxes allocated to cities served by fire districts. We need to encourage functional consolidation of essential governmental services like fire protection and Senate Bill 182 will treat the taxpayers of fire districts of Johnson County equitably for purposes of allocating the countywide sales tax by giving the taxpayers in the cities protected by fire districts a credit under the sales tax allocation formula for the taxes that they pay for fire protection. I think that it is important to emphasize that the taxpayers in these cities are already paying this tax to the fire districts, but that they are not receiving credit for these taxes when it comes time to allocating county sales tax dollars. It is time to remedy this problem.

ATTACHMENT 6-1

3-17-93

Several cities have advised the Fire District that if this legislation is not passed, they will consider "detaching" from the fire district. If Prairie Village detached from the Fire District, 1\3rd of the District's revenue would be subject to annual contract just with this City. In fact the City of Mission that I represent would seriously consider detaching since it would mean approximately \$66,000 in additional revenue to the City. Detaching would allow those cities to increase their city mill levy to provide for fire protection by contracting with Fire District No. 2 or worse yet in my opinion, establishing their own municipal fire departments and since the cost of fire protection will be included in the city mill levy, they would be able to count the cost of fire protection in the definition of "total tangible property tax levies" and thus receive additional sales tax dollars under the countywide sales tax allocation formula.

If these cities detach from the Fire District, this will place Fire District No. 2 in a poor position since the Fire District would have to contract to provide fire service in these cities. This will require the Fire District and the cities that detach to incur additional legal and administrative expenses related to negotiating, monitoring and performing annual contracts for fire protection. This would be an unnecessary expense. Detaching also would impact upon the Fire District's ability to plan for the future, since we would be subject to one year contracts with the cities that detach. **This will impact our ability to plan for the long-term needs of the Fire District, including using bond financing.** If the cities of Northeast Johnson County can obtain the benefit under the allocation formula by detaching, why not allow them to receive the benefit by not detaching and thus preserving the integrity of Fire District No. 2.

Approval of Senate Bill 182 will give the taxpayers of these cities the equitable treatment that they should have been receiving for the taxes that they already pay for fire protection and on behalf of the City of Mission and Fire District No. 2, I urge your approval of Senate Bill 182. Thank you.

Gary Anderson
6323 Woodson Drive
Mission, KS 66202-4253
(913) 722-3924

ATTACHMENT 6-2
3-17-93

Chairman Brown and members of the Committee, I am Wayne Vennard, Councilman from the City of Prairie Village.

Fire protection services in Johnson County are unique because the County is part of a major metropolitan area. Fire protection in our County is provided by several cities and Fire Districts which work together through mutual aid agreements to provide a countywide network of fire fighting personnel and equipment. Similar agreements are established with agencies in other counties which are part of our metropolitan area. These agreements enable the agencies to combine and share resources in emergencies to provide the quality and type of service we need in our urban environment.

In our County fire protection services are provided by a variety of governmental units; however, every taxpayer in Johnson County pays a property tax which is used to provide part of the pool of fire protection services available for the entire area. Since all taxpayers in Johnson County pay taxes which make it possible for this pool of fire fighting resources to be available when needed, I believe all taxpayers in Johnson County should receive the same credit for tax paid for fire protection.

Last year, when representatives from the cities in northeast Johnson County began working on this legislation, Mayors of the nine cities which will benefit from the formula change in Senate Bill 182 met with Mayors of the other cities in the County to explain the proposed legislation. This year we met with Mayors and other representatives of the cities again - we want the issue to be clear and open for discussion. Commissioner Sue Weltner met with other members of the Johnson County Commission to explain the legislation and its effect on the County budget if adopted. Mayors, Commissioners and other City representatives in the County have made it clear they do not support the loss of any money to their taxpayers; however, they recognize an inequity exists and are not opposed to the legislation.

During the past few years the original formula has been changed at least twice to recognize its inequity to specific cities in the County. Senate Bill 182 is our opportunity to take the step needed to at last fully resolve the inequities in the formula and equalize distribution of revenue from the County sales tax to all taxpayers in Johnson County.

I urge you to vote for adoption of Senate Bill 182. It will ensure that cities in Johnson County are not penalized for working together to provide essential services which become more expensive and complex every year. Its adoption will effectively recognize the unique challenges of fire protection in Johnson County by establishing a formula which is fair to all of our taxpayers in the County.

ATTACHMENT 7

3-17-93

Chairman Brown and members of the committee, my name is Ed Stevens. I am an elected city councilman in the city of Prairie Village. I've been a councilman for three years and am chairman of our council committee on finance so I have special interest in the matter being considered today.

You have heard why we are here. Let me, if I could, (1) review the Formula for the allocation of the county sales tax dollars, (2) review changes affecting this allocation that the legislature has made in recent years, (3) describe what we believe to be the inequities that now exist in the county allocation of funds and (4) tell you what we believe could be an alternative for our Prairie Village citizens if the current statute is not changed.

First, the **Formula**. Johnson County collects about \$24 million from a county sales Tax. By statute, almost all the money is distributed back to the cities and to the county by a Formula — 1/2 based on the percent of total population and 1/2 based on percent of Total Revenue Received from Ad Valorem Property Taxes. In the case of Prairie Village our total allocation constitutes about 10% of our total revenue.

The First one-half, that based on population, we have no problem with. Cities that are growing probably need more money for the expenses that growth brings with it. Obviously, smaller, land-locked, mature cities such as Prairie Village and others in NE Johnson County will progressively get less of this portion as our populations stabilize or go down but we know we have to learn to accept that and govern accordingly. It's fair. The unit of measurement (population) is the same for all cities.

The Second one-half of the Formula, that portion based on the percent of revenue received by municipalities and the county from Ad Valorem Property Taxes, is why we are here. There were inequities in the original statute but, from actions by the legislature in recent years, even more inequities have arisen as to how the cities' costs of fire protection are considered in allocation of the county sales tax revenue.

In the **original legislation**, if fire protection was not either provided by a City Fire Department or a contracted service and thus included in a city's Ad Valorem Tax, fire protection costs were not recognized in the allocation Formula. Gradually there have been changes.

First, Overland Park, a few years ago, recognized the inequity of not being allowed to include service provided by fire districts in its mill levy and maneuvered to get it included. The Legislature allowed Overland Park to detach from the fire districts that served their city and turn around and contract with those same districts - thereby getting the cost of these contracts included in their mill levy. It was simply a legal maneuver whereby they gained income (from the County allocation) but did not really change the service. Now Overland Park receives fire protection from these contractors - who are not city employees. The contracting costs are included for allocation purposes.

Then, in 1991, the Legislature made another exception that benefited just four Johnson County cities - Olathe, DeSoto, Gardner and Spring Hill - by allowing them, because they were expanding and annexing land already included in fire districts, to adjust their allocation Formulas to include ALL fire protection services. Some services were from municipal departments, some were from fire districts.

We are asking for one more legislative change. You have recognized a special situation in Overland Park. You have recognized a special situation in cities who are annexing new areas. Now, we are asking you to recognize the cost-saving actions

taken by mature, stable cities who have consolidated their fire services in the form of fire districts. Why, the Legislature in '91 did not correct the inequity for ALL cities we don't know. With this change now ALL cities will be treated equally. Until that change occurs, some cities get credit in the county sales tax allocation Formula for fire district mill levies, others do not. **Here are the different ways the cities now handle fire protection.**

A few cities have their own municipal fire departments - Leawood, Lenexa and Shawnee are examples. Fire protection costs are included as city services in their taxes and the allocation rightfully reflects these taxes.

One city, at least - Overland Park - uses contractors to provide fire protection. These contracting costs are included in the allocation Formula.

Some cities have a mixture of services - Olathe, DeSoto, Gardner and Spring Hill are examples. Some areas of these cities are served by municipal departments (even though some are manned by volunteers) and some areas by fire districts. But, credit is given for BOTH these fire protection costs in the allocation Formula.

The final group includes those cities that use only fire districts to provide fire protection - Prairie Village, Mission, Fairway and Roeland Park are examples. NONE of the costs of fire protection that these nine cities provide is included in the Formula for allocating the County Sales Tax Revenue.

This is our concern! **Nine of the 21 cities in Johnson County are NOT getting credit because they use only fire districts.** This represents about 15% of the county population. But, this means that 85% of the citizens get, what we feel, is proper credit for services provided and 15% do not. Current statutes discourage consolidation of fire service by cities if, in the consolidation, the fire district levied its own ad valorem property tax. The Legislature by adopting Senate Bill 182 will be making a minor amendment to K.S.A. 12-192, and will be correcting the inequities.

Even the press recognizes this inequity. When they compare mill levies of Johnson County cities they add in the mill levies charged by the fire districts so the comparisons will be on an equal basis. (Attached is a 1992 clipping from The Sun.)

Let me say again, this does not mean additional taxes - it's simply a change in the way the pie is divided and it's a relatively minor change. The following list reflects our estimates of the annual gains and losses of the cities and the county with the change we are requesting and **it shows the percent these changes are of their 1993 Budgets:**

<u>GAIN</u>			<u>LOSS</u>		
Prairie Village	+\$122,000	1.17%	Johnson County	-\$164,000	0.08%
Mission	+ 66,000	0.70%	Lenexa	- 39,600	0.09%
Mission Hills	+ 54,000	1.91%	Olathe	- 37,200	0.05%
Fairway	+ 27,600	1.55%	Overland Park	- 36,000	0.04%
Roeland Park	+ 26,400	0.66%	Shawnee	- 15,600	0.09%
Westwood	+ 15,600	1.15%	Leawood	- 14,400	0.08%
Mission Woods	+ 3,600	—	Merriam	- 7,200	0.08%
Westwood Hills	+ 2,700	—	Spring Hill	- 1,080	0.03%
Countryside	+ 1,400	—	Gardner	- 1,080	0.02%
			Lake Quivira	- 600	—
			De Soto	- 600	—
			Edgerton	- 480	—
			Bonnor Springs	- 180	—

We know that no city wants to lose tax revenue so we are not suggesting that any of the "losing" cities will jump with joy but it is important to note that the largest loser is the county, meaning that a little larger piece of the pie will go back to the cities. And then it should be noted also that, almost without exception, the "losing" cities are the ones which are growing and/or are in growth areas of the county. With only a few years growth, their increasing revenue will have more than recovered any losses resulting now from this change.

Of particular significance is the very MINOR effect percentage wise of the cities' budgets that this legislative change will have on those cities, and the county, which are receiving LESS revenue, and the MAJOR effect it will have on those cities receiving MORE revenue. **What a great opportunity to correct an inequity for 15% of the county population and have it have such a minor effect on the other 85%!**

What are our options if you elect not to act favorably to put us all on a more level playing field?

First, let me say that we very firmly believe that we are providing the citizens of Prairie Village with the best fire protection at the least cost. We could not build and maintain a fire department of the caliber of Fire District #2 for any where near the reasonable cost the citizens are now paying. And the other eight cities, each being smaller than Prairie Village, would have an even more difficult time. It is just not possible for small cities to act independently and provide the quality of fire protection service which is necessary in an urban area.

An alternative for Prairie Village, if the legislation will not be changed, is for the city to detach from Fire District #2 either by legislative action (as Overland Park did) or by citizen petition. Then we would turn around and contract with the same fire district for service. Our arrangement for fire protection would "fit" the current legislation and the contracted cost for such service would be recognized in the Formula but we would get no change in quality of service. The city would incur a significant amount of staff and legal time and expense to setup and annually negotiate a contract. But probably worse would be that the Fire District would not know from year to year what communities it would be serving and it could be reduced to a non-efficient size even to serve the remaining cities. Having a strong, high quality Fire District #2 is very important to all citizens in not only the county but in the entire metropolitan area.

In closing let me say that we all know that fire protection is a basic government service to ensure public safety. Fire District Ad Valorem property tax levies can be clearly identified as essential to every resident and business, unlike the tax levies for other districts such as libraries and parks. In this way Fire District tax levies are unique and they should be included as part of the Formula for County Sales Tax Revenue allocation.

Presentation made to The House Local Government Committee, Mar. 17, 1993.

THE PRAIRIE VILLAGE SUN

FRIDAY, NOV. 20, 1992

Sales taxes keep OP levy the lowest

By John Holloway
Sun Staff Writer

Overland Park has retained its distinction of having the lowest mill levy of any city in Johnson County, according to figures the city collected from the Johnson County Clerk.

A mill levy is the formula cities and other governmental entities use to figure taxes on property owners.

With Overland Park's mill levy of 12.579, the owner of a \$100,000 home there will pay \$126.95 to the city this year for its services.

Alan Sims, Overland Park assistant city manager, says the city keeps property taxes low because of its sales tax revenue.

"There are several factors, but one is that 40 percent of our revenue comes from sales tax," Sims said. "We have a diversified tax base, and right now we have a fairly even mix of 50 percent residential and 50 percent commercial and retail."

Sims said the city has been low for several years, although just how many he is not certain.

Shawnee City Manager Gary Montague agrees that sales tax revenue is a major reason why Overland Park maintains a low mill levy, but said the figures for Shawnee are somewhat misleading in one respect.

City Tax Rates In Johnson County 1992-1993 Lowest to Highest

RANK	CITY	TOTAL MILL LEVY
1	Overland Park	10.579
2	Mission Woods	11.053
3	Mission	12.595
4	Westwood	15.992
5	Roeland Park	16.242
6	Lake Quivira	16.347
7	DeSoto	17.059
8	Westwood Hills	19.617
9	Gardner	20.262
10	Fairway	20.450
11	Merriam	22.243
12	Leawood	22.853
13	Prairie Village	23.837
14	Countryside	23.900
15	Shawnee	24.509
16	Mission Hills	26.427
17	Lenexa	26.988
18	Olathe	30.640

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of sales tax with its big malls, and we are envious of them in that respect," he said. "But it does not reflect the fact that we don't charge a franchise tax."

Shawnee, usually considered a thrifty city, comes in at 15th lowest on the list of the 20 Johnson County cities.

Shawnee residents who own a \$100,000 home will pay \$294.11 for the city's services. The city has a mill levy of 24.509.

In the mid-1980s, Shawnee voters opted to get rid of their franchise tax on gas and electricity, replacing it with a half-cent sales tax. The City Council this year voted to remove the franchise tax on telephones, which generated little revenue.

A commercial franchise tax still applies in Shawnee.

"If we charged a franchise tax, it (the residential mill levy) would be comparable to Overland Park," Montague said. "If you used the max you could get, you would be at about 8 to 10 mills (lower)."

Meanwhile, Mission Woods, Mission, Westwood and Roeland Park follow Overland Park with the five lowest residential municipal property taxes this year.

On keeping property taxes low, Sims said, "We have a different philosophy in Overland Park. We try to be very conservative in our spending policies."

The highest five, behind Shawnee, include Mission Hills, Lenexa, Spring Hill and Edgerton.

Lenexa City Administrator David Watkins said, "You have to realize that Johnson County cities have some of the lowest mill levies in the state."

His city has had capital improvements demands that many of the smaller, established communities in Johnson County don't have, he added.

"If I could take out capital needs, I would be about 12 mills lower," he said.

Watkins said quality, not quantity, of services is also important. He points out that Lenexa provides a senior center, parks and recreation and other services that other cities have chosen not to provide.

All figures include fire protection, even cities in

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