

Approved: Feb 4, 1993  
Date

## MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:06 a.m. on January 25, 1993 in Room 519-S of the Capitol.

Members present: Senator Langworthy, Senator Tiahrt, Senator Martin, Senator Bond, Senator Corbin, Senator Feleciano, Jr., Senator Hardenburger, Senator Lee, Senator Reynolds, Senator Sallee, Senator Wisdom

Committee staff present: Tom Severn, Legislative Research Department  
Chris Courtwright, Legislative Research Department  
Bill Edds, Revisor of Statutes  
Don Hayward, Revisor of Statutes  
Elizabeth Carlson, Committee Secretary

Conferees appearing before the committee: Mark A. Burghart, General Counsel, Department of Revenue  
David Cunningham, Director, Division of Property Valuation

Others attending: See attached list

Mark A. Burghart, General Counsel, Kansas Department of Revenue appeared before the committee to request the introduction of a series of bills needed in the Department. (Attachment 1)

Senator Bond moved the introduction of these bills. The motion was seconded by Senator Tiahrt. Motion carried.

Senator Langworthy requested the introduction of a bill which would exempt from sales tax certain farm machinery and equipment used in the operation of a nursery .

Senator Bond moved the introduction of this bill. The motion was seconded by Senator Sallee. Motion carried.

### **Monitor Court Order for Property Tax Action Re Proposal No. 23**

David C. Cunningham, Director, Division of Property Valuation, appeared before the committee to report on Proposal No. 23 - Monitor Court Order for Property Tax Action and to report on the compliance of the Department of Revenue to the court order. (Attachment 2) He listed the 12 points for corrective action by Judge Bullock and told where the PVD is at this time. He stated they are very near the end of the sales ratio study for 1992. It has been a 16 months sales ratio study and it will be available to the legislature at a future date. He stated the way the audits are handled has been modified and they also have refocused on how they are being handled. At the present time they are concentrating on the appraiser's office. The committee asked questions about personnel and the request of the Division for additional FTE's. He said they had requested 32 additional employees and 18 have been approved. A list of positions in the Division was passed out. (Attachment 3) He thinks this is sufficient number. He was asked how many counties are being reworked and he replied there are 10 counties which are being heavily reworked. There may be 25 counties that need in depth assistance. He was questioned about the growth of personnel in the last 5 years and he said he did not know but will check on it. He was also asked about the number of staff in 1989 when reappraisal was finished and he said he would also check on this. There was discussion concerning the asking price versus the appraised rate. He said this is a problem which occurs in every county and he stated you have to take an individual county and break it down by neighborhoods. The committee stated a concern about the growth of the Department as time goes by and how it gets more complicated. Mr. Cunningham stated it can be made more simple. He ended his testimony by stating the Division will have the information to the court on time.

The meeting adjourned at 12:00 noon.

The next meeting will be on January 26, 1993.

## GUEST LIST

COMMITTEE: Senate  
ASSESSMENT & TAXATION.

DATE: Jan 25, 1993

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STATE OF KANSAS

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Department of Revenue  
*Legal Services Bureau*

**MEMORANDUM**

To: The Honorable Audrey Langworthy, Chairperson  
Senate Committee on Assessment and Taxation

From: Mark A. Burghart, General Counsel  
Kansas Department of Revenue

Date: January 25, 1993

RE: Proposed Legislation

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The Department of Revenue's proposed legislative package for taxation issues is set forth below. Bill drafts have previously been provided to the Revisor of Statutes Office. We respectfully request that the bills be introduced and given favorable consideration by your committee. A brief synopsis of each of the proposed bills is provided:

- Proposed Bill No. 1 -- Amend K.S.A. 79-3702(f) to clarify that fuel used to generate heat, power or electricity is exempt only if the heat, power or electricity is held for resale.
- Proposed Bill No. 2 -- Enact a provision similar to that in the retailers' sales tax act which creates successor liability for unpaid withholding tax when a business is sold.
- Proposed Bill No. 3 -- Enact a provision authorizing the Department of Revenue to enter into a reciprocal agreement with other states to eliminate the need for nonresident returns.
- Proposed Bill No. 4 -- Establish uniform appeal procedures applicable to all taxes administered by the Director of Taxation.
- Proposed Bill No. 5 -- Amend various statutes to make uniform the provisions dealing with the posting of bonds to insure the payment of various taxes.

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- Proposed Bill No. 6 -- Amend K.S.A. 79-1478 to make it clear that the Division of Property Valuation shall assist with "appraisal maintenance" in counties.
- Proposed Bill No. 7 -- Amend K.S.A. 79-5a08 to eliminate references to certificates of value and substitute the term "sales validation questionnaire."
- Proposed Bill No. 8 - Amend the Real Estate Ratio Study Act to allow the Director of Property Valuation to use sales from prior years, up to 4 years preceding the study year, for use in the real estate ratio study.
- Proposed Bill No. 9 - (A) Amend various statutes to delete any references to county boards of equalization which were abolished during the 1992 Session.  
(B) Amend K.S.A. 79-1404 twelfth to no longer require the Director of Property Valuation to inquire into the system of accounting of public funds used by cities and counties.

I would be happy to respond to any questions you might have.

STATE OF KANSAS



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**M E M O R A N D U M**

**TO:** Senate Assessment and Taxation  
**FROM:** David C. Cunningham, Director, Division of Property Valuation  
**DATE:** January 25, 1993  
**SUBJECT:** Proposal No. 23

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Madame Chair and members of the committee, I appreciate the opportunity to appear today and update you on the Court's Order for Corrective Action and its various components. I will discuss each of the twelve items from the order so the committee will know where we are in the process.

The initial three points of the order, paragraphs A, B, and C generally require that the Division perform its statutory responsibilities to "insure to the fullest extent practical that the appraisal of all real property throughout the State of Kansas is at fair market value on a uniform and equal basis." Further provisions require the prosecution of anyone not complying with orders of the Division to comply with the laws of this state regarding the proper valuation of real property.

Paragraph D requires the Division to devote all necessary resources to the development of a valid ratio study. This has been a major priority. We are on schedule and the study will be done in time to include it in the plan and provide a preliminary study to the committee. The Division has been providing sales to the counties that will be included in the study to receive input as to any documentation relative to the sales' validity. PVD staff make the validity calls, but it has been helpful to have the counties' documentation on the various aspects of the sales.

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Paragraph E discusses the continued expansion of county audits. The Division has not been able to engage in any audits since all resources have been assigned to the ratio study. Personnel will be allocated to this function with the completion of the ratio study so we will begin audits this year. The scope of the audits being performed has been changed as the Division will no longer audit all five offices, but rather, will concentrate on the appraiser's office by using the substantial compliance criteria for the overall audit function. This will allow the Division to audit all counties annually and, in conjunction with the ratio study, target counties that might require an in-depth audit.

Paragraph F deals with the testing of the computer system. The test has been completed and the results indicate the system will function properly as a tool in developing estimates of value. There is no question that the commercial side needs enhancement and that has been addressed in the report of the CAMA Committee. I will have the final report within the next week or so and it will be part of the overall plan that is submitted to the court.

Paragraphs G and J require the Division to develop educational plans. Paragraph G provides for establishing minimum standards of education and training for county personnel. Upon consultation with the Kansas County Appraisers Association and the Kansas Association of Mappers, a core group of 5 surrounding counties were selected to represent the interests of staff in all 105 counties. The tasks performed by the appraisers office were classified into 7 major categories. Residential, Commercial, Data Collection, Use Value, Cartography, Oil and Gas, and Personal Property. Functions and tasks applicable to each position (regardless of the county) were set forth. Necessary education, training and experience requirements were established. As a result there is now a yardstick by which to determine whether staff are adequately performing their job. If not, courses have been developed and are being offered which will allow those in need of training the opportunity to meet the standards set forth. Paragraph J provides for exploring an ongoing educational curriculum in conjunction with the Board of Regents and Junior Colleges. We have conducted research into various programs that exist. On Tuesday, January 26, 1993, we will be traveling to Lindenwood College in St. Charles, Missouri to examine firsthand a four year bachelors degree program and a master's degree program in the area of Valuation Sciences. On Friday, January 29, 1993, we along with Joe Emmons, Director of Community Colleges for the Kansas Department of Education, will be traveling to Waskashaw County Technical College in Pewaukee, Wisconsin, to examine an associate degree programs in appraisal and assessment. We will be working with the Board of Regents and Community Colleges upon our return to explore the feasibility of this proposal in the state of Kansas.

Addressing paragraph H was challenging to say the least; however, the new directives were completed and issued in November of 1992. I have copies of the final directives available.

As part of the overall plan, paragraph I will necessitate an evaluation of the resources necessary to adequately perform the statutorily mandated supervision of the appraisal process. Eighteen additional positions have been approved by the Governor and I have included an attachment outlining the allocation of these positions. I am also exploring options where county appraisers can assist one another so the Division can focus its resources on the counties requiring the most assistance.

Paragraphs K and L require the development of statewide data bases and commercial and industrial benchmarks to assist in the appraisal process. These will be dealt with in the plan and will require development over a period of time. While some of this capability exists now (sales data base), it will be a continual process as the needs of counties change.

Thank you again and if there are questions, I would be pleased to respond.

# STATE OF KANSAS

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## Department of Revenue *Division of Property Valuation*

### STAFFING FOR THE DIVISION OF PROPERTY VALUATION

#### EXISTING STAFF:

<b>Compliance Bureau</b>	1
Audit Section *	13
Ratio Study Section	29
<b>County Appraised Bureau</b>	1
Use Value	3
County Assistance	2
Commercial/Oil and Gas	1
Special Assistance	2
Personal Property	2
Cartography *	5
CAMA	4
<b>State Assessed Bureau</b>	1
Public Utility	7
Motor Carrier	5
<b>Administration Bureau</b>	
Legal	1
Education	1
Support Services	11

\*Denotes sections temporarily assigned to work on sales ratio project.

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EXISTING STAFF PLUS 18 ADDITIONAL POSITIONS

<b>Legal</b>	1
<b>Compliance Bureau</b>	2
Audit	8
Special Assistance	6
Sales Ratio	15
<b>County Appraised Bureau</b>	2
Field - (use value & field)	18
County Assistance/Abstract	4
Cartography	7
CAMA/Research	10
Personal Property/Oil&Gas	7
<b>Administration/Support Services</b>	11
<b>Education/Public Relations Bureau</b>	3
<b>State Assessed Bureau</b>	
Public Utility	8
Motor Carrier	5