

Approved: 2/25/94
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION.

The meeting was called to order by Vice Chairperson Kent Glasscock at 9:00 a.m. on February 22, 1994 in Room 519-S of the Capitol.

All members were present except: Representative Pottorff, excused
Representative Rock, excused

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

Conferees appearing before the committee:

Bill Ervin - Chief, Municipal Accounting Section
Tom Laing - Kansas Association of Rehabilitation Facilities
Chris McKenzie - Executive Director, League of Kansas Municipalities
John Torbert - Executive Director, Kansas Association of Counties
Barbara Wood - Bourbon County Clerk and President, Kansas Association of
of Counties
Murray Nolte - Johnson County Commissioner and Past President, Kansas
Association of Counties
Gayle Landoll - Marshall County Clerk and Vice-Chair, County Clerks
Legislative Committee
Karl Peterjohn, Executive Director, Kansas Taxpayers Network

Others attending: See attached list

Vice Chairperson Glasscock opened the hearing on SB 447.

SB 447 - eliminating tax levy rate mill limitations for certain governmental units.

Bill Ervin, Chief, Municipal Accounting Section, testified in support of SB 447 and said that it has become evident that most fund levy limits are not needed. Mr. Ervin also said that this bill would enable governing bodies to manage their moneys more efficiently and simplify their accounting and budgeting systems. The current tax lid law has effectively controlled ad valorem levies and reverting to the statutory fund levy rate limits without first overhauling them could bring significant disruption, according to Mr. Ervin (Attachment 1).

Tom Laing, Kansas Association of Rehabilitation Facilities, testified they are concerned with the part of SB 447 that addresses the statutory levy limitations for community mental health centers and community mental retardation centers. They believe this has the potential for an unintended outcome which would not be in the best interests of the people who are served by their programs (Attachment 2).

Chris McKenzie, League of Kansas Municipalities, testified in support of SB 447. He said removing limitations on funds which no longer need to exist and which are contrary to contemporary accounting is a long overdue step. Mr. McKenzie stated the League worked with the Kansas Library Association to draft the amendment which now appears in Section 9 which preserves the status quo in terms of library mill levy limits (Attachment 3). Mr. McKenzie suggested the Committee may want to look at adding a proviso in Section 52 that says "otherwise provided by law."

John Torbert, Kansas Association of Counties, testified in support of SB 447. He said that it is an opportunity to remove language from the statute books that has not been used in years and no longer has

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, Room 519-S Statehouse, at 9:00 a.m. on February 22, 1994.

relevance to the operation of county government (Attachment 4).

Barbara Wood, Bourbon County Clerk and President, Kansas Association of Counties, testified in support of SB 447 and said the old levy limits, as now listed in the statute, do not relate to current needs. Ms. Wood also said the old levy limits are so far out of date that removal of the LID and falling back on these limits would be disastrous for Bourbon County (Attachment 5).

Murray Nolte, Johnson County Commissioner and Past President, Kansas Association of Counties, testified in support of SB 447. He said mill levy limits that are removed by this bill are no longer in use in the preparation of county budgets and many counties have already chartered out are currently using combined funds (Attachment 6).

Gayle Landoll, Marshall County Clerk and Vice Chair, County Clerk's Legislative Committee, testified in support of SB 447. Ms. Landoll said that to require the counties to revert to the old fund levy limits would greatly hurt their ability to provide adequate service to the public (Attachment 7).

Karl Peterjohn, Kansas Taxpayers Network, testified in opposition to SB 447 and said it is clear that local governments in Kansas want out from the larger property tax lid imposed on local government. If successful in removing that statutory limit, these statutes repealed in this bill would become effective and plan a role in setting local property tax policy, according to Mr. Peterjohn (Attachment 8).

Chairperson Roe concluded the hearing on SB 447.

The Chair announced the appointment of Representative Adkins as Chairperson of a subcommittee on SB 447.

Chairperson Roe directed the Committee to turn to HB 2988.

HB 2988 - public utility property tax surcharge authorized.

A motion was made by Representative Adkins, seconded by Representative Mays, to amend HB 2988 by including telecommunications utilities in the bill.

After Committee discussion, Representative Adkins withdrew his motion to amend HB 2988.

A motion was made by Representative Glasscock, seconded by Representative Lahti, to report HB 2988 favorable for passage. The motion carried. Representative McKinney requested to be recorded as voting no.

Chairperson Roe directed the Committee to turn to HB 2774.

HB 2774 - property tax exemption for leased property used for local health officer purposes.

A motion was made by Representative McKinney, seconded by Representative Empson, to amend HB 2774, to allow a county to lease a building to a doctor as shown on the attached balloon (Attachment 9). The motion carried.

A motion was made by Representative McKinney, seconded by Representative Wagnon, to report HB 2774 as amended favorable for passage. The motion carried.

The minutes of February 16, 17, and 18, 1994, were approved. as read.

The meeting adjourned at 10:20 a.m.

The next meeting is scheduled for February 23, 1994.

HOUSE TAXATION COMMITTEE

DATE 2/22/94

NAME

ADDRESS

REPRESENTING

Donna McQuade	Topeka	observer
Bill Ervin	✓	Dept of Admin
Barbara Butts	✓	✓
Wayle Landoll	Marionville	Marshall County Clerk
Barbara Wood	St Louis	St Louis County Clerk
PAUL M. KLOTZ	TOPEKA	ASSOC. OF CITIES, Inc.
Pom Laing	Topeka	Ks. Assoc. of Rehab. Facilities
Dee Seel	Stanley, Ks.	self.
Jim Shulley	Topeka	SWBT
Karl Peterjohn	Wichita	Ks. Taxpayers Network
Allie Devine	Topeka	Ks. Livestock Assoc.
Michelle Ann	Topeka	att. John Small
ED SCHAUB	"	WESTERN RESOURCES
James L. Loring	"	"
Paul Nichols	Topeka	SWBT
John D. Tork	"	Ks. Assoc. of Counties
Murray Klotz	St Louis County	KAC
Chris McKenzie	Topeka	League of Ks. Municip.
Howard H. H.	Emporia	Emporia Public Library

SENATE BILL 447
HOUSE TAXATION COMMITTEE
Bill Ervin, Municipal Accounting Section
February 22, 1994

The two main purposes of S.B. 447 are to: (1) respond to concerns over the disruption which would occur if the tax lid law were repealed and numerous fund levy limits were re-activated, and (2) simplify accounting and budgeting for cities, counties, and townships affected by the tax lid law by cutting down the number of tax levies. Because of the close relationship of this initiative to the tax lid law, we need to first briefly review the tax lid law.

Brief Review of Tax Lid

There are two segments to the 1988 tax lid law (last amended in 1991) to be sunsetted July 1, 1995:

1. The first segment is the tax lid itself, referred to in Kansas law as the "aggregate levy limit." Cities, counties, townships, Washburn, and community colleges (which levy about 50 percent of all ad valorem taxes) are covered by the tax lid which limits the aggregate of their individual levies. Their individual levies are subject to the tax lid unless specifically exempted by K.S.A. 79-5028.
2. The second segment applies to taxing subdivisions which are not subject to the tax lid (these taxing subdivisions levy about four percent of all ad valorem taxes) but are subject to fund levy limits. Examples of fund levy limited units are sewer, hospital, cemetery, watershed, and drainage districts.

The fund levy limits (1 mill for Fund A, 2 mills for Fund B, etc.), which have historically applied to all taxing subdivisions, were suspended by the 1988 tax lid law, and dollar levy limits were substituted. The purpose of this suspension was to prevent a "tax windfall" which would have resulted if the reappraisal property values were higher than the pre-reappraisal property values.

Experience Has Shown Us That Numerous Tax Levies Are Not Needed

As we have lived with the current tax lid rules since 1988, it has become evident that most fund levy limits are not needed. As the tax lid law has sunsetted, been renewed, sunsetted again, and been renewed again, however, there have been growing concerns about what would happen if the tax lid law were to be changed in a way that would re-activate the fund levy limits suspended since 1988. During the early 1993 Session, we were requested to provide possible results of reverting to the fund levy limits which would occur if the tax lid law (in its current form) is sunsetted July 1, 1995. Our study concluded that reverting to the fund levy limits would cause significant disruption in managing budgets. Concern over this disruption brought about the initiative for S.B. 447.

2/22/94
House Taxation Cmtte
Attachment 1

Authorized Funds for Cities and Counties

Today, both cities and counties have at least 125 statutorily authorized funds. Of these authorized funds, cities can levy in 84, and counties can levy in 96. This condition has resulted in large numbers of funds and complex accounting and budgeting systems. S.B. 447 paves the way for cities, counties, and townships to expand the use of their General Funds and eliminate unneeded fund levies. This would enable governing bodies to manage their moneys more efficiently and simplify their accounting and budgeting systems.

The scenario for this simplification would be: (1) S.B. 447 repeals the authority for numerous individual levies; and (2) the cities, counties, and townships fold the operation of the functions (which heretofore have been budgeted and accounted for in numerous special funds) into their General Funds.

New Section 52

There was some concern in the Senate about taxes being levied for a special purpose--economic development, for example--and then being combined into the General Fund. Out of this concern, Sen. Martin proposed Section 52 as a floor amendment. This amendment provides that if a municipality levies for special purpose XYZ and there are moneys remaining in Fund XYZ, the moneys must be held in Fund XYZ until spent for XYZ purposes. The Senate passed the bill, as amended, by a vote of 40-0.

Summary

The current tax lid law has effectively controlled ad valorem levies. Reverting to the statutory fund levy rate limits--without first overhauling them--could bring significant disruption. We support S.B. 447 as a means to avoid this disruption and as a major step in simplifying municipal accounting and budgeting systems.

PHASE-IN OF TAX LID IN BARBER COUNTY

Fund/Function Levied For	1988 <u>Tax Levy</u>	1993 <u>Tax Lid</u>
General	\$ 272,835	*
District Court	48,800	*
Appraisers Cost	79,214	*
Conservation Comm	4,906	*
Extension Council	64,278	*
Fair Maintenance	25,955	*
Special Bridge	161,407	*
Public Health	50,706	*
1988 Tax Lid Levies	<u>708,101</u>	
Road and Bridge	737,454 ^A	*
Council on Aging	41,312 ^B	*
Election	18,647 ^B	*
Noxious Weed	80,703 ^B	*
Reappraisal	75,562 ^B	*
Ambulance	80,703 ^B	*
1993 Tax Lid	<u>1,742,482</u>	<u>1,583,196</u>
Employee Benefits ^D	144,917 ^C	Unlimited
Mental Health	30,263 ^C	Unlimited
Mental Retardation	49,522 ^C	Unlimited
Out-District Tuition	41,296 ^C	Unlimited
Health Insurance Costs ^D		Unlimited
Bond and Interest	6,096	Unlimited
Total Levies	<u>\$2,014,576</u>	<u>2,029,309</u>

- A. Fund levy was exempted from the Tax Lid via exercise of Home Rule in 1988.
- B. Fund levy was exempted from the Tax Lid by statute in 1988.
- C. Fund levy was exempted from the Tax Lid by statute in both 1988 and 1993.
- D. Health insurance costs were included in General Fund for the 1988 levy and in Employee Benefits Fund for the 1993 levy.

* Fund levy limits were suspended by tax lid law. The only limit is the Tax Lid limit.

Municipal Accounting Section
February 22, 1994



Kansas Association of Rehabilitation Facilities

Jayhawk Tower • 700 Jackson • Suite 212 • Topeka, Kansas 66603-3731
(913) 235-5103 • Fax (913) 235-0020

DATE: February 22, 1994

TO: Members of the House Committee on Taxation
FROM: The Kansas Association of Rehabilitation Facilities
The Association of Community Health Centers of Kansas

RE: Senate Bill 447

Senate Bill 447, supported by the Kansas Association of Counties, proposes to repeal a number of statutory property tax levy limitations. The counties regard these levy limitations as an impediment to flexibility and ask for more autonomy in the budgeting process for county programs.

We do not debate the counties' view in this regard, which we consider to be a policy matter for the state and the counties to consider.

However, the bill also addresses the statutory levy limitations for community mental health centers and community mental retardation centers. We believe this has the potential for an unintended outcome which would not be in the best interests of the people who are served by our programs.

Our concern is this. The trend advocated by the Association of Counties is for all counties to move away from special fund budgeting toward general fund line-item budgeting. This would eventually result in the placement of community MH/MR service providers (most of which are private not-for-profit corporations) into the county general fund. SB 447 is a part of this trend. The greater flexibility in shifting monies between line items would place MH/MR programs directly into competition with county specific programs, such as the bridge and road and other funds.

Additionally, we would find ourselves increasingly in jeopardy in the several multi-county service delivery areas for which our members are responsible. Consider the dilemma when one county agrees to assist in the funding of such programs, contingent in part upon broad support from other counties, and then learns in mid-year that one or more of the other counties have reappropriated our funding elsewhere.

Such scenarios are made more likely under the trend of which SB 447 is a part, and threaten to undermine the stability of community programs at a time when this legislature is counting on the stability of such programs.

2/22/94
House Taxation Cmte
Attachment 2

p.2

Laing to House Committee on Taxation
Re SB 447

We do not oppose this bill; however, we believe some clarification is needed to nail down a very important policy consideration:

Property taxes levied for MH and MR programs should be preserved for the exclusive use of those programs.

County participation is not mandated for our programs, nor have we sought such designation. But, neither do we wish to be placed into the general funds of the counties and considered as programs of the counties. Nor do we believe that counties want such new responsibilities handed to them by the state. Our programs are funded by state, federal and county funds as well as private donations. Any trend to place our programs under the direct control of any one of those government structures would jeopardize the balanced partnership that currently exists.

For counties that feel strongly that all property tax funds should be handled in a general fund approach they can already do this, via home rule.

We believe the needs of our consumers have been satisfactorily addressed through our status as independent community agencies. We have been able to come to county commissions and ask for the optional levy authority of the current law and we have had to prove our case.

This has been a healthy exercise for us... to be required to demonstrate accountability... and a healthy process for the counties, who have grown increasingly attuned to the needs of people with disabilities and to the needs of those facing mental health crises in their lives.

We see no need to change the current law as it applies to our programs.

But if the rules are to be changed, we ask the House to add language to SB 447 to preserve the integrity and maintenance of effort for community program funding in Kansas...

REVENUES DERIVED FROM PROPERTY TAXES LEVIED FOR MENTAL HEALTH PROGRAMS OR FOR PROGRAMS FOR PEOPLE WITH DISABILITIES, WHETHER DEPOSITED IN SPECIAL FUNDS OR IN THE GENERAL FUNDS OF THE SEVERAL COUNTIES, SHALL BE SPENT EXCLUSIVELY FOR SUCH PURPOSES.

Thank you for allowing us the time to address you on this matter and we ask you to amend this bill to meet the needs of consumers of MR/MH community programs in Kansas.



**League
of Kansas
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 112 S.W. 7TH TOPEKA, KS 66603-3896 (913) 354-9565 FAX (913) 354-4186

TO: House Committee on Taxation

FROM: Chris McKenzie, Executive Director *Chris McKenzie*

RE: Support for Senate Bill 447

DATE: February 22, 1994

Thank you very much for the opportunity to appear today in support of SB 447, the bill repealing the major fund levy rate limitations contained in Kansas law. This past summer the League staff participated in the drafting of this legislation, and we sincerely believe it represents positive public policy for the legislature and will strengthen state-local relations. **First**, it would remove limitations on funds which no longer need to exist and which are contrary to contemporary accounting practice and principles. We are long overdue in Kansas with such a step. Our budgeting and accounting procedures are so complicated they virtually require local units to waste limited local tax dollars each year. I have managed a local budget, and I know what a tough job it can be just to handle the accounting requirements.

Second, this legislation would remove the threat of reverting back to obsolete fund levy rate limits in future years' debate of the renewal of the aggregate property tax lid. Both the Municipal Accounting Section and the Kansas Association of Counties have provided evidence of the disastrous effects that could result if counties and townships reverted back to the now obsolete fund levy rate limits. While some advocates of the aggregate lid may fear the removal of this threat or "trump card", I can think of no other area of public policy in which a legislative body consciously continues in place an obsolete and potentially harmful statutory scheme to discourage debate on a public policy question. Enactment of SB 447 will make future debates on the aggregate lid more open and direct. An argument can even be made that enactment of SB 447 will increase the political pressure to keep the aggregate lid in future years. We respectfully submit this does not support an argument to leave the obsolete and potentially destructive fund levy rate limit scheme on the books.

Finally, questions arose in the Senate Committee about Section 9 of this bill concerning libraries. We worked closely with the Kansas Library Association to draft the amendment which now appears in Section 9 which preserves the status quo in terms of library mill levy limits. The original bill removed all limits and allowed the local governing body to impose such limits if they desired. When concern with this approach became apparent, the amendment was prepared.

I want to express our appreciation to the staff of the Legislative Research Department and the Revisor of Statutes Office for the considerable work that went into the preparation of this legislation. I also want to thank the Committee for considering this matter so early in the session.

RECOMMENDATION: The League strongly recommends the Committee report SB 447 favorably.

*2/22/94
House Taxation Committee
Attachment 3*



"Service to County Government"

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Executive Director
John T. Torbert, CAE

February 22, 1994

Testimony

To: House Taxation Committee

**From: John T. Torbert, CAE
Executive Director**

Subject: SB 447 (Repeal of Individual Fund Levy Limits)

The Kansas Association of Counties supports legislation that would repeal the individual fund levy limits now in place in statute.

With the advent of reappraised values in the late 1980's, the legislature made the decision not to continue to use individual fund levy limits. It was the legislature's fear that with the advent of the new reappraised values, values on a statewide basis would increase greatly. The legislature sought to prevent local governments from gaining the full benefit of the new reappraised values by enacting a lid on the total dollars levied - what is now known as the aggregate tax lid. You have continued to use that approach since then.

The problem that we have is that when the aggregate lid approach was adopted, the individual fund levy limits were not repealed - they were merely suspended. I don't know the legislative history of why the individual limits were not repealed at that time but my guess is that it was simply easier to suspend the limits than it was to go through the statute books and repeal all of them.

Last year, during the debate on the new tax lid, there was consideration given to doing away with the aggregate dollar lid and going to a system of self-imposed property tax limits. I don't want to get into a debate at this point about our position on property tax limits. You are well aware that we don't agree with them. But, if the legislature had not enacted a new tax lid bill last year, the suspended individual fund levy limits would have gone back into effect.

2/22/94
House Taxation Cmte
Attachment 4

If these individual limits once again became law, the impact on counties would have been devastating. First of all, unlike cities, counties would have gone back to having limits on their general fund levies and road and bridge fund levies. Secondly, what has happened since the late 1980's is that counties have levied taxes (fully in compliance with the aggregate lid law) that exceed the suspended fund levy limits. Bill Ervin, chief of the municipal accounting section, in a memo to Representative Keith Roe dated 3/25/93, estimated that 55 counties would lose general fund levy authority and that 43 counties would lose road fund levy authority. In some cases the impact would have been substantial. It was estimated for example that Johnson County would have lost \$9.6 million in general fund revenues and \$27.2 million in road and bridge fund revenues. Mr. Ervin also noted in his memo that a return to fund levy limits would result in "counties using more special funds, thus complicating the budgeting and accounting system." The use of multiple funds is one that is frowned upon by the professionals in the accounting profession.

In our opinion, because of the reasons noted above, any return to individual fund levy limits would be step backwards. They no longer have relevance to the operation of local government as it exists today. Levy limits on individual funds act to tie the hands of local officials by restricting their ability to raise and spend revenue according to the needs of their respective jurisdictions - an impact that I would hope the legislature would not choose to pursue.

We would strongly urge your support for this legislation. It is your opportunity to remove language from the statute books that has not been used in years and no longer has relevance to the operation of county government. It also decouples the individual fund levy limit issue from the tax lid issue so that the legislature can approach the issue of tax limits cleanly.

lvyrpl

BARBARA WOOD, COUNTY CLERK

BOURBON COUNTY COURTHOUSE
FORT SCOTT, KANSAS 66701-1304
(316) 223-3800

February 22, 1994

Good Morning. First, let me thank you for allowing me this opportunity to speak to you.

I am Barbara Wood, County Clerk of Bourbon county. Population 15,000. Half the population resides in Fort Scott, the county seat, and a first class city.

Our valuation is 50,000,000 now. before reappraisal we carried a valuation of 53,000,000. The present county mill levy is 44.236.

My county has always struggled with high ad valorem tax; our present average county levy is 135.789. So we certainly are not looking for any way to increase our levy. However, we do believe that these old levy limits are really unnecessary. As the local unit of government, we have the biggest "Limiter" of all, the local people. We are directly answerable to the people, our local constituency. Removal of these levy limits would not create runaway mill levies.

The old levy limits, as now listed in the statute, do not relate to current needs. They are so far out of date; removal of the LID, and falling back on these limits would be disastrous for our county. Smaller funds would survive; but the General Fund would not. There is no way we could go back to a 3.5 mill limit on the General Fund. This 3.500 would generate about 175,000. Our present General Fund calls for an expenditure of 41,349,150 with 668,749 coming from ad valorem tax. Employee Benefits costs now require a 7.809 mill levy. This is to maintain the levy of health benefits similar to past year. Since the LID is a control of total dollars rather than fund by fund; our County would have to rearrange funds. The past few years, we have been trying to simplify and combine funds with the General Fund being the principal fund.

I urge your consideration for this bill.

2/22/94
House Taxation Cmte
attachment 5



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Executive Director

John T. Torbert, CAE

February 22, 1994

To: Representative Keith Roe, Chairman
Members, House Taxation Committee

From: Murray Nolte, Johnson County Commissioner

Re: SB 447 Removal of Mill Levy Limits

Thank you for the opportunity to testify today in support of SB 447.

Mill levy limits that are removed by this bill are no longer in use in the preparation of county budgets. They were suspended several years ago when the aggregate tax lid was put in place. In fact, if they were to be used again, almost half the Kansas counties would lose levy authority due to the shift in valuation with reappraisal.

SB 447 was assembled with the help of the Municipal Accounting Division of the Department of Administration, The Kansas Association of Counties and the League of Kansas Municipalities. County officials believe the concept of combining funds into the general fund makes for more efficient use of tax payers money. Many counties have already chartered out and are currently using combined funds, Johnson and Shawnee Counties are good examples.

We urge your favorable consideration of SB 447.

2/22/94
House Taxation Cmte
Attachment 6

February 22, 1994

To: House Taxation Committee
Representative Keith Roe, Chairman

From: Gayle Landoll, Marshall County Clerk
and Vice-Chair, County Clerk's Legislative Committee

Re: Senate Bill #447

Thank you for the opportunity to ask your support of Senate Bill #447.

It is my understanding Senate Bill #447 will permanently eliminate the individual levy limits as they apply to various county funds. Since we've been operating, with few exceptions, without individual fund levy limits for many years, and with decreased valuations and increased costs from the time these levy limits were in effect, these levy limits are now out dated.

Even if, in a few cases, these fund levy limits might still be sufficient, the County Commissioners would lose their ability to shift some funds where they are needed the most. For the 1994 budget the Marshall County Commissioners put every penny available into the road and bridge fund due to the extensive damage caused by flooding in 1993.

For many years, the Division of Accounts and Reports have been encouraging us to consolidate as many funds as possible into the general fund. This definitely would not be possible with a levy limit for the general fund.

Marshall County's current valuation of 54.3 million is approximately equal to what it was in 1978, but 3.1 million less than our valuation in 1982. In 1983 Marshall County's valuation took a 7.3 million drop due to the exemption from taxation granted to farm machinery. It was recognized at the time this drastic loss of valuation occurred that the statutory individual fund levy limits were no longer feasible, and since that time we have been operating with a maximum dollar amount rather than a levy limit.

I realize this bill doesn't address the tax lid, but every time I hear elimination of the tax lid is being discussed I have a panic attack for fear we'd have to revert to the old individual levy limits. The two major funds in the Marshall County budget that would be crippled if we had to revert to the old levy limits are the general fund and the road and bridge fund.

2/22/94

House Taxation Committee
Attachment 7

Page 2
House Taxation Committee
Senate Bill #447

Marshall County's 1994 general fund budget would be short cash in the amount of \$38,274 to meet the adopted budget if the 3.50 mill levy limit were reinstated and the road and bridge fund would be short cash in the amount of \$1,132,517 if the 5.00 mill levy limit were reinstated.

To require the counties to revert to the old fund levy limits would greatly hurt our ability to provide adequate service to the public.

Thank you for your consideration in the support of this bill.

Respectfully submitted,



Gayle Landoll
Marshall County Clerk
KCCA Legislative Committee

KANSAS TAXPAYERS NETWORK
P.O. Box 20050
1081 S. Glendale
Wichita, KS 67208

316-684-0082

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Testimony on SB 447 to
House Taxation Committee
Kansas Taxpayers Network
Karl Peterjohn, Executive Director

KTN rises in qualified opposition to this proposal. The concept of removing obsolete or unworkable provisions from the Kansas statutes is a worthwhile goal. As far as this is the effort of this bill, that is not objectionable.

However, it is clear that local governments in Kansas want out from the larger property tax lid imposed on local government. If successful in removing that statutory limit, these statutes repealed in this bill would become effective and play a role in setting local property tax policy. Annually bills adding additional exemptions to the property tax lid are introduced in the legislature by the local government lobby. It is also an annual event for taxpayers' groups like KTN to come before this committee and oppose these measures. Let's see if there is another option outside of this paradigm.

Last year you held a hearing on HCR 5017 sponsored by Rep. Tim Shallenburger which would provide a real solution to the ongoing statutory tax lid issue by replacing these matters in front of the voters. This has worked in Missouri for over a decade and is working in Colorado today. In Oklahoma this type of legislation was enacted at the state level.

This committee has not been enthusiastic over this idea. There are other options. Local governments in some other states operates without any statutory tax lid. However, in some places there is a simple and quite workable provision for empowering voters while allowing local government's adequate revenues.

In Ohio there is a statute which requires a proportional drop in property tax millage for a proportional increase in assessed value. If additional revenue is needed by local government there is broad authority for local officials to seek voter approval of additional sales or property taxes. The statutory property tax lid is never going to be a satisfactory solution. You should explore options which protect taxpayers while providing reasonable financing.

All this should be of particular concern for those of you who are planning to run for re-election. If you aren't careful with this bill, you could easily end up running on a platform of "I helped raise your property taxes." This is NOT a platform I would recommend or a prescription for electoral success.

2/22/94
House Taxation Ante
Attachment 8

HOUSE BILL No. 2774

By Committee on Taxation

1-27

AN ACT relating to property taxation; concerning the exemption of property leased by a county for local health officer purposes; amending K.S.A. 1993 Supp. 79-201a and repealing the existing section.

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

Section 1. K.S.A. 1993 Supp. 79-201a is hereby amended to read as follows: 79-201a. The following described property, to the extent herein specified, shall be exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

First. All property belonging exclusively to the United States, except property which congress has expressly declared to be subject to state and local taxation.

Second. All property used exclusively by the state or any municipality or political subdivision of the state. All property owned, being acquired pursuant to a lease-purchase agreement or operated by the state or any municipality or political subdivision of the state which is used or is to be used for any governmental or proprietary function and for which bonds may be issued or taxes levied to finance the same, shall be considered to be "used exclusively" by the state, municipality or political subdivision for the purposes of this section. *The lease by a county of any real property owned or being acquired pursuant to a lease-purchase agreement for the purpose of providing office space necessary for the performance of* ~~*duties as a local health officer pursuant to K.S.A. 65-201 et seq.*~~ *and amendments thereto,*

shall be construed to be a governmental function, and such property actually and regularly used for such purpose, notwithstanding that it is also used for a nonexempt health care provider purpose, shall be deemed to be used exclusively for the purposes of this paragraph.

All property leased, other than property being acquired pursuant to a lease-purchase agreement, to the state or any municipality or political subdivision of the state by any private entity shall not be considered to be used exclusively by the state or any municipality or political subdivision of the state for the purposes of this section except that the provisions of this sentence shall not apply to any such property subject to lease on the effective date of this act until

medical services by a person licensed to practice medicine and surgery or osteopathic medicine by the board of healing arts pursuant to K.S.A. 65-2801, et seq.

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Attachment 9