



Administration Center • 1941 E. 61st St. N. • Park City, KS 67219-1909
O: 316.744.2026 • F: 316.744.3865

To: Chairwoman Caryn Tyson and Senate Assessment & Taxation Committee Members

From: Sean Fox, City Administrator, Park City

Date: January 11, 2024

RE WRITTEN ONLY TESTIMONY IN SUPPORT OF SB 196 – FUNDING LAVTR

Madam Chair and Committee Members:

The Park City Council is keenly aware and mindful of the property tax burden placed on their fellow citizens every year. To help ease the burden, the Council recently led the effort to pass a one-cent retail sales tax, with the number one priority of reducing ad valorem tax. In addition, they continually strive to make good and sound financial decisions for our community, including adopting a budget that reflects the collective needs and values of our residents. Each year, the City Council must weigh competing costs against perceived benefits as they consider a budget, they believe is in Park City's best interest.

One tool that could be used to help stabilize local property taxes, but the City has not been able to use for 20 years, is the Local Ad Valorem Tax Reduction Fund or LAVTR.

Under the 1965 LAVTR Fund law (KSA 79-2959), a portion of sales tax and compensating use tax as well as the local share of cigarette stamp taxes and cereal malt beverage taxes collected by the State of Kansas are to be returned to the City. Those funds are then required to be applied directly to lowering our taxes levied dollar-for-dollar, which equates to what some might consider a significant mill reduction in the amount of money collected to fund our budget and ultimately being a true cost savings for our citizens.

This time-tested partnership began in 1937 but was effectively cancelled in 2003 when the Kansas legislature made no fund allocation – a practice that the legislature has continued each year since. This inaction means that from 2004 through 2022, local governments have not received more than \$1.7 billion in legally owed revenues that have been collected by the state. Every dollar of that amount would have reduced local property taxes. In essence, taxpayers are paying these taxes twice. Once at the store when they purchase their goods and then a second time when they pay their property taxes to the local government.

Additionally, in 2006, the Kansas legislature exempted new machinery and equipment (M&E) from property taxation. The final bill included partial reinstatement of the LAVTR fund because the M&E exemption would harm local budgets. Yet, cities and counties did not receive LAVTR payments.



The City's ability to not raise property taxes is becoming increasingly challenging. The loss of other funding streams (like M&E), increased costs of materials and labor, and the various other un-funded mandates being placed on the local level by the State have driven up the cost of maintaining our community.

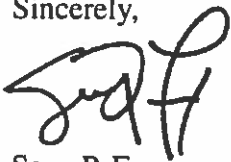
As good a job as our City Council does trying to keep expenses down, while maintaining, if not increasing the level of service provided and improving the quality of life amenities within the community....they have reached and exceeded their limit of doing more with less. It is once again time for the Kansas legislature to do what it is legally obligated to do and fund LAVTR to assist our residents with true property tax relief.

The May 2023 memo of the State's Consensus Revenue Estimating Group's predicts a \$109.3 million, or 4.1%, increase in FY2024 tax collections by the State over this year. And this year's collections are predicted to be 24.2% higher than last year – FY2022. Likewise, the state budget recommends an ending balance in the state general fund of \$1.98 billion, or 20.9 percent of expenditures in 2024. It also recommends a \$500 million deposit into the budget stabilization fund that will bring the fund balance to \$1.51 billion. These predictions put the Kansas Legislature in a position to help taxpayers and local governments.

Understandably the Governor and the legislature have many priorities that require funding, but local municipalities are where the true rubber meets the road and we need your immediate and steadfast support of Senate Bill 196 and funding LAVTR. Your support will recognize our diligence and the empathy we've demonstrated for our taxpayers' plight, while trying to hold property taxes steady while continuing to provide mandated, essential, and requested services for our community.

We must work together and need your support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sean P. Fox', written in a cursive style.

Sean P. Fox
City Administrator
Park City, Kansas

Cc:

Committee Assistant @ assessment.taxation@senate.ks.gov