

**Written Testimony to the
Senate School Finance Committee
Senate Bill No. 251**

**Matt Allen,
City Manager, City of Garden City Kansas
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Dear Chairman Denning and Members of the Senate School Finance Committee,

Thank you for allowing the City of Garden City to provide written remarks on Senate Bill No. 251.

As both a provider of utility services and as a consumer of utility services we have a number of questions regarding the impact and application of the “School Funding Fee” in section 51 of the Senate bill.

Language in this section is unclear to us and we are seeking clarification on the language.

On page 60, lines 21-22 indicate that the application of the fee does not apply to the United States Government or its agencies or instrumentalities. We assume by its omission the fee applies to all state and local entities and agencies, including all political subdivisions of the State. State agency facilities are located in the service territories of many utility providers throughout the State. Will the State pay one fee in each utility service area regardless of the number of accounts and locations or multiple fees based on the number of meters for each utility? Are other non-federal governmental units such as cities, counties, townships, school districts, colleges and universities to be treated in the same fashion as the State?

As a user of utility services, like all cities in Kansas, the City of Garden City has over 1,200 water electric, gas and water meters at all of our buildings and facilities throughout the community. The legislation requires a monthly fee of either \$2.25 or \$10.00 depending on your retail customer category. (It is important to note that we maintain customer categories beyond the two listed in Section 51 (a)(1), are these listed groups the only customer types to pay the fee?) If every city and county must pay a monthly fee for every utility meter the cost would be an enormous financial burden on local governments, especially when operating under a property tax lid.

If the fee is assessed based on the names on utility accounts, i.e “customer accounts”, cities could still see significant financial impacts if the services aren’t uniformly billed as one account in one monthly statement.

Rental real estate both single family and multi-family as well as our commercial properties may have multiple meters and multiple accounts. Is it the Legislature’s intent that these customers pay one fee or multiple fees?

As a provider of utility services, our utility billing department would experience the same problems highlighted above as we bill our customers for their monthly services. It may require re-tooling of our billing system to accommodate an additional billing charge on our statement. There is a cost to reprogram the billing software and Senate Bill No. 251 doesn't appear to contain a recovery mechanism for this state mandated expenditure.

If a customer's balance due or utility usage is zero is a fee still assessed each month? If customer makes a partial payment on their monthly bill – does the School Funding Fee get remitted in full to the State first or is only a proportional amount in conjunction of what was paid? Similarly, what if the customer has only been a utility customer for less than one month or establishes service in the middle of a billing period, or is it school funding fee per utility calculated so much per day?

When a utility contracts for collection services of unpaid accounts, most agreements allow for a percentage of the collected amount to be kept by the collecting agency as compensation. Will the State allow their proportionate share of the collection activity costs to be handled in the same manner? Part of the collection activity concern is when does a utility remit the School Fund Fee to the State? A utility provider might not know for months that an account will not be paid, but has the utility already submitted the fee to the State by the time they become aware an account is delinquent or uncollectible? In essence are utilities going "to front" the fee to the State and recover it from their customers as the utility billings are paid or do utilities pay the fee as they receive it? If an account becomes uncollectible and a utility provider has already remitted the fee does a utility get a refund or do they withhold an amount from the next remittance to the State? How will this be accounted for each month? Is reporting going to be required, if so what is the format and frequency? Clarification and direction on how to properly apply the School Funding Fee in these circumstances is needed.

The variations across the State in application if left undefined could radically alter the fiscal note projections you are using to make policy and create inequities in the burden of this tax alternative.

Depending on how the committee intent is determined and the final application of the fee is explained in detail, we can only estimate the broadest financial impact and consequences to our community and customers. Therefore, I ask that you reject the School Funding Fee mechanism in Senate Bill No. 251.

The City of Garden City appreciates the work and effort that has gone into the development of this legislation and your work this session.

Thank you again for your consideration.