

To: Senate Select Committee on Education Finance, Senator Molly Baumgardner, Chairperson
From: John Donley, Kansas Farm Bureau
Date: March 20, 2018
Re: SB 422- Relating to Local Option Budgets

Good morning Chairman Baumgardner and members of the committee, I appreciate the opportunity to present testimony on behalf of the Kansas Farm Bureau (KFB) in opposition to SB 422. KFB is the state's largest general farm organization representing more than 30,000 farm and ranch families through our 105 county Farm Bureau Associations.

KFB understands the difficult decisions legislators must make regarding funding K12 education. These are difficult decisions that will take significant study and dialogue to resolve. However, the funding solution for K12 education found in SB 422 is not a bill that KFB can support because it will automatically increase property taxes on any school districts that are not at the 30% statutory cap for local option budgets. Additionally, the thought of **mandating** a local **option** budget seems to be inconsistent on its face. Increasing property taxes is not a policy that should be utilized to fund Kansas Schools. The statewide average mill levy in Kansas in the last reportable year was over 135.954 mills. Over the past 35 years, whenever the statewide average mill levy reached between 125 mills to 130 mills, the state enacted property tax relief. This and other proposals are doing the opposite by increasing property taxes.

State and local tax revenues have slowly become more dependent on property taxes over the past two decades. In FY 1998, 28.1% of state and local tax revenue came from general property taxes. Also in FY 1998, 28.0% of state and local tax revenue came from sales and use taxes. Finally, 26.9% of state and local tax revenue came from income and privilege taxes in FY 1998. Smaller fees, such as motor fuel taxes and motor vehicle fees, made up the remainder of state and local tax revenue in FY 1998.

Comparatively, in FY 2017, 34.18% of state and local tax revenue came from general property taxes. Sales and income taxes made up 31.17% and 19.43%, respectively. Once again, the remainder of the revenue sources were generated by smaller fees and taxes. Admittedly, this percentage make up will likely be altered by the changes to the income tax rates in FY 2018. However, the trend is still noticeable. State and local units of government have become more and more reliant on property taxes to fund government functions. (*Source:* <http://www.kslegresearch.org/KLRD-web/TaxFacts.html>)

The increased reliance on property taxes to fund state and local government is felt especially hard by agriculture. The proportion of state and local tax revenue coming from agricultural land has increased to the highest amount seen in the past 20 years. This is mostly due to increased valuations as the current use value appraisal formula continues to work highly profitable years through the formula. These elevated valuations will continue for the foreseeable future while the eight year rolling average works through these years. Unfortunately, these elevated valuations have come while many farmers are facing significant financial stress.

Some school districts may **not** elect to tax their citizens at the full 30% for the local option budget either because their citizens cannot afford to pay the increased property taxes or because they are fiscally prudent managers. Having the state increase those property taxes is not good policy. Therefore, we ask that you oppose SB 422 as you consider your options for financing K-12 education.