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To: House Taxation  
From: Chardae Caine, Research Associate  
Date: March 13, 2019  
RE: Testimony in Support of HB 2367

I want to thank Chairman Johnson and the Committee members for allowing the League of Kansas Municipalities, on behalf of our member cities, the opportunity to provide testimony in support of HB 2367. Last year the Joint Legislative Vision Task Force held several meetings to consider how the State of Kansas should proceed regarding transportation projects. Often times, we hear from local governments that transportation and infrastructure funding is a significant priority for their communities; but the funds needed are simply unavailable due to fiscal challenges including the state-imposed tax lid. The proposed legislation is one of the recommendations provided by the Task Force.

Before the State's decision not to fund demand transfers such as the Local Ad Valorem Tax Reduction (LAVTRF) and County and City Revenue Sharing (CCRS) funds, the proceeds were used to balance the loss of other revenue sources as an agreement between State and local governments. The LAVTR fund provided for a portion of receipts from the states sales and use taxes to be distributed to the counties. Within each county, money was distributed to each property tax levying subdivision proportionately based on tax levies in the preceding year. Similarly, the CCRS fund provided money to be allocated among counties and cities as well. Counties retained 50% and cities received 50% in proportion to their populations. Both funds have not been supported by the Legislature since FY 2004. As both State and local governments consider steps to improve transportation for Kansas residents, providing cities with funds for this specific purpose will assist in the effort.

The proposed legislation authorizes a city to submit a plan for new construction of a road or improvement of a bridge. Once a proposed plan is approved by the Secretary of State, the city will receive funding for completion of the project through the County and City Revenue Sharing Fund. Further, the proposed legislation does not authorize cities to receive their share of funding through the Local Ad Valorem Tax Reduction Fund. We request an amendment be included into this bill that would allow cities to submit transportation projects to the Secretary of Transportation and, once approved, receive LAVTR funding for the completion of projects. This amendment gives cities a choice of which fund best fits the community's current needs, provides additional distribution dates for cities to receive funding, and resume distribution of the fund as it was intended.

The League appreciates the consideration of the Legislature to reauthorize transfers from the state general fund to the county and city revenue sharing fund. We ask that the Committee considers including cities into the LAVTR fund distributions and pass an amended version of HB 2367 to the full House for consideration.

**HOUSE BILL No. 2367**

By Committee on Taxation

2-18

1 AN ACT concerning transportation; relating to new road construction or  
2 bridge improvement plans; authorizing transfers from the state general  
3 fund to the local ad valorem tax reduction fund and county and city  
4 revenue sharing fund if certain conditions are met; amending K.S.A.  
5 2018 Supp. 79-2959 and 79-2964 and repealing the existing sections.  
6

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

8 Section 1. K.S.A. 2018 Supp. 79-2959 is hereby amended to read as  
9 follows: 79-2959. (a) There is hereby created the local ad valorem tax  
10 reduction fund. All moneys transferred or credited to such fund under the  
11 provisions of this act or any other law shall be apportioned and distributed  
12 in the manner provided herein.

13 (b) On January 15 and on July 15 of each year, the director of  
14 accounts and reports shall make transfers in equal amounts which in the  
15 aggregate equal 3.63% of the total retail sales and compensating taxes  
16 credited to the state general fund pursuant to articles 36 and 37 of chapter  
17 79 of *the* Kansas Statutes Annotated, and amendments thereto, during the  
18 preceding calendar year from the state general fund to the local ad valorem  
19 tax reduction fund, except that *subject to the provisions of subsection (d):*  
20 (1) No moneys shall be transferred from the state general fund to the local  
21 ad valorem tax reduction fund during state fiscal years ~~2018, 2019 and~~  
22 ~~2020 through 2030~~; and (2) the amount of the transfer on each such date  
23 shall be \$27,000,000 during fiscal year ~~2021~~ 2031 and all fiscal years  
24 thereafter. All such transfers are subject to reduction under K.S.A. 75-  
25 6704, and amendments thereto. All transfers made in accordance with the  
26 provisions of this section shall be considered to be demand transfers from  
27 the state general fund, ~~except that all such transfers during fiscal year 2021~~  
28 ~~shall be considered to be revenue transfers from the state general fund.~~

29 (c) The state treasurer shall apportion and pay the amounts transferred  
30 under subsection (b) to the several county treasurers on January 15 and on  
31 July 15 in each year as follows: (1) Sixty-five percent of the amount to be  
32 distributed shall be apportioned on the basis of the population figures of  
33 the counties certified to the secretary of state pursuant to K.S.A. 11-201,  
34 and amendments thereto, on July 1 of the preceding year; and (2) thirty-  
35 five percent of such amount shall be apportioned on the basis of the  
36 equalized assessed tangible valuations on the tax rolls of the counties on

1 November 1 of the preceding year as certified by the director of property  
2 valuation.

3 *(d) During fiscal years 2020 through 2030, any county may submit to*  
4 *the secretary of transportation a plan for new construction of a road or*  
5 *improvement of a bridge in such county. If the secretary approves such*  
6 *plan, the county shall receive such county's share of the local ad valorem*  
7 *tax reduction fund during the fiscal years that it takes to complete the*  
8 *construction or improvement, as determined by the secretary. On June 15*  
9 *of fiscal years 2020 through 2030, the secretary shall certify to the*  
10 *director of accounts and reports the aggregate amount of moneys*  
11 *approved by the secretary from such plans. Upon receipt of such amount,*  
12 *the director of accounts and reports shall transfer such amount from the*  
13 *state general fund to the local ad valorem tax reduction fund. The*  
14 *secretary shall transmit a copy of each such certification to the director of*  
15 *the budget and the director of legislative research.*

See attachment

16 Sec. 2. K.S.A. 2018 Supp. 79-2964 is hereby amended to read as  
17 follows: 79-2964. *(a) There is hereby created the county and city revenue*  
18 *sharing fund. All moneys transferred or credited to such fund under the*  
19 *provisions of this act or any other law shall be allocated and distributed in*  
20 *the manner provided herein. The director of accounts and reports in each*  
21 *year on July 15 and December 10, shall make transfers in equal amounts*  
22 *which in the aggregate equal 2.823% of the total retail sales and*  
23 *compensating taxes credited to the state general fund pursuant to articles*  
24 *36 and 37 of chapter 79 of the Kansas Statutes Annotated, and*  
25 *amendments thereto, during the preceding calendar year from the state*  
26 *general fund to the county and city revenue sharing fund, except that*  
27 *subject to the provisions of subsection (b), no moneys shall be transferred*  
28 *from the state general fund to the county and city revenue sharing fund*  
29 *during state fiscal years 2018, 2019, and 2020 through 2030. All such*  
30 *transfers are subject to reduction under K.S.A. 75-6704, and amendments*  
31 *thereto. All transfers made in accordance with the provisions of this*  
32 *section shall be considered to be demand transfers from the state general*  
33 *fund.*

34 *(b) During fiscal years 2020 through 2030, any city or county may*  
35 *submit to the secretary of transportation a plan for new construction of a*  
36 *road or improvement of a bridge in such city or county. If the secretary*  
37 *approves such plan, the city or county shall receive such city's or county's*  
38 *share of the county and city revenue sharing fund during the fiscal years*  
39 *that it takes to complete the construction or improvement, as determined*  
40 *by the secretary. On June 15 of fiscal years 2020 through 2030, the*  
41 *secretary shall certify to the director of accounts and reports the*  
42 *aggregate amount of moneys approved by the secretary from such plans.*  
43 *Upon receipt of such amount, the director of accounts and reports shall*

1 *transfer such amount from the state general fund to the county and city*  
2 *revenue sharing fund. The secretary shall transmit a copy of each such*  
3 *certification to the director of the budget and the director of legislative*  
4 *research.*

5       Sec. 3. K.S.A. 2018 Supp. 79-2959 and 79-2964 are hereby repealed.

6       Sec. 4. This act shall take effect and be in force from and after its  
7 publication in the statute book.

**HB 2367- amendment to Section (d)**

*(d) During fiscal years 2020 through 2030, any city or county may submit to the secretary of transportation a plan for new construction of a road or improvement of a bridge in such city or county. If the secretary approves such plan, the city or county shall receive such city's or county's share of the local ad valorem tax reduction fund during the fiscal years that it takes to complete the construction or improvement, as determined by the secretary. On June 15 of fiscal years 2020 through 2030, the secretary shall certify to the director of accounts and reports the aggregate amount of moneys approved by the secretary from such plans. Upon receipt of such amount, the director of accounts and reports shall transfer such amount from the state general fund to the local ad valorem tax reduction fund to be distributed to the appropriate political subdivision. The secretary shall transmit a copy of each such certification to the director of the budget and the director of legislative research.*