

To: Senate Ways & Means Committee  
From: Chardae Caine, Research Associate  
Date: March 20, 2019  
RE: Testimony in Support of SB 190

I want to thank Chairwoman McGinn 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 SB 190. Last year the Joint Legislative Transportation 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 (LAVTR) 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 Transportation, the city will receive funding for completion of the project through the CCRS fund. Further, the proposed legislation does not authorize cities to receive their share of funding through the LAVTR 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 CCRS fund. We ask that the Committee considers including cities into the LAVTR fund distributions and pass an amended version of SB 190 to the full Senate for consideration.

**SENATE BILL No. 190**

By Committee on Ways and Means

2-14

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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.

**SB 190- 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.*

# The Impact of Demand Transfer Losses

By Chardae Caine, Research Associate, League of Kansas Municipalities

The Kansas Legislature continues to implement budget and tax policies with negative repercussions on local governments' finances. The property tax lid demonstrates this through requiring a city or county to hold an election for any increase in property tax revenue collected at a rate higher than inflation, as measured by the Consumer Price Index (CPI). While a majority of cities are attempting to delay the need for an election by making budget adjustments, other cities needed to hold an election. Similarly, the legislature's decision to not fund demand transfers over the past 15 years is another example of the influence state decisions have on local governments and the services that can be provided to Kansas residents.

Since 2001, cities and counties in Kansas have lost at least \$2,591,533,883 as a result of the State's decision not to fund demand transfers. It is very important to note that while some of these monies are often referred to as "state aid" in budget documents, the history of these funds does not support that classification. The LAVTRF and the CCRS funds (explained below) were part of an agreement between the State and local governments that involved the loss of revenue sources in exchange for the establishment of these funds. The past 18 years are illustrated on data tables provided with this document.

## Reduction in LAVTRF

Fiscal Year	Statute	Actual	Loss
2001	\$60,315,000	\$54,139,000	\$6,176,000
2002	\$61,980,000	\$54,680,000	\$7,300,000
2003	\$62,431,000	\$26,247,000	\$36,184,000
2004	\$64,636,000	\$0	\$64,636,000
2005	\$66,521,000	\$0	\$66,521,000
2006	\$66,682,000	\$0	\$66,682,000
2007	\$71,233,000	\$0	\$71,233,000
2008	\$71,063,598	\$0	\$71,063,598
2009	\$69,860,878	\$0	\$69,860,878
2010	\$67,430,000	\$0	\$67,430,000
2011	\$81,788,000	\$0	\$81,788,000
2012	\$87,665,000	\$0	\$87,665,000
2013	\$92,021,000	\$0	\$92,021,000
2014	\$88,644,600	\$0	\$88,644,600
2015	\$90,203,785	\$0	\$90,203,785
2016	\$96,519,286	\$0	\$96,519,286
2017	\$96,940,047	\$0	\$96,940,047
2018	\$99,759,907	\$0	\$99,759,907
<b>Total Through FY 2018:</b>	<b>\$1,395,694,101</b>	<b>\$135,066,000</b>	<b>\$1,260,628,101</b>

## LAVTRF (Local Ad Valorem Property Tax Reduction)

Established under K.S.A. 79-2959, LAVTRF is currently supposed to transfer 3.63% of state sales and use taxes to cities and counties. Revenue sharing in this manner dates to the 1930s with the current statutory framework being established in 1965. At that time, the local share of certain cigarette revenue stamp taxes and cereal malt beverage taxes were rolled into the state general fund and a direct transfer was made into the LAVTRF to replace the loss of these funds (Kansas Session Laws, Chapter 530, 1965). Since 2001, Kansas cities and counties have not received \$1,260,628,101 in LAVTRF funding.

## CCRS (County City Revenue Sharing)

Established under K.S.A. 79-2964, CCRS is supposed to transfer 2.823% of state sales and use taxes to cities and counties. CCRS was established in 1978 as part of an agreement between the State and local governments regarding several different taxes. In particular, the local share of cigarette and liquor enforcement tax revenues was traded for the establishment of the CCRS (Kansas Session Laws, Chapter 401, 1978). Since 2001, Kansas cities and counties have not received \$1,006,713,076 in CCRS revenue sharing.

## Reduction in CCRS

Fiscal Year	Statute	Actual	Loss
2001	\$46,004,000	\$34,531,000	\$11,473,000
2002	\$46,901,000	\$34,876,000	\$12,025,000
2003	\$47,868,000	\$16,741,000	\$31,127,000
2004	\$51,564,063	\$0	\$51,564,063
2005	\$53,422,952	\$0	\$53,422,952
2006	\$56,609,567	\$0	\$56,609,567
2007	\$57,920,881	\$0	\$57,920,881
2008	\$55,206,431	\$0	\$55,206,431
2009	\$54,329,823	\$0	\$54,329,823
2010	\$52,570,000	\$0	\$52,570,000
2011	\$63,606,000	\$0	\$63,606,000
2012	\$68,175,000	\$0	\$68,175,000
2013	\$71,563,000	\$0	\$71,563,000
2014	\$68,937,660	\$0	\$68,937,660
2015	\$70,150,216	\$0	\$70,150,216
2016	\$75,061,693	\$0	\$75,061,693
2017	\$75,388,912	\$0	\$75,388,912
2018	\$77,581,878	\$0	\$77,581,878
<b>Total Through FY 2018:</b>	<b>\$1,092,861,076</b>	<b>\$86,148,000</b>	<b>\$1,006,713,076</b>

## Reduction in SCCHF

Fiscal Year	Statute	Actual	Loss
2001	\$18,068,010	\$10,343,000	\$7,725,010
2002	\$15,729,000	\$10,447,000	\$5,282,000
2003	\$19,498,652	\$10,063,000	\$9,435,652
2004	\$20,454,000	\$5,032,000	\$15,422,000
2005	\$22,056,000	\$10,064,000	\$11,992,000
2006	\$25,811,513	\$10,064,000	\$15,747,513
2007	\$29,031,000	\$10,064,000	\$18,967,000
2008	\$29,685,531	\$10,064,000	\$19,621,531
2009	\$22,000,000*	\$0	\$22,000,000
2010	\$22,000,000*	\$0	\$22,000,000
2011	\$22,000,000*	\$0	\$22,000,000
2012	\$22,000,000*	\$0	\$22,000,000
2013	\$22,000,000*	\$0	\$22,000,000
2014	\$22,000,000*	\$0	\$22,000,000
2015	\$22,000,000*	\$0	\$22,000,000
2016	\$22,000,000*	\$0	\$22,000,000
2017	\$22,000,000*	\$0	\$22,000,000
2018	\$22,000,000*	\$0	\$22,000,000
<b>Total Through FY 2018:</b>	<b>\$400,333,706</b>	<b>\$76,141,000</b>	<b>\$324,192,706</b>

## SCCHF (Special City-County Highway Fund)

Established under K.S.A. 79-3425(I), this portion of the Special City-County Highway Fund is funded by the motor vehicle property tax. The other portion of SCCHF is funded by the motor fuels tax and transfers from that portion of the fund have not been reduced to date. Since 2001, Kansas cities and counties have not received \$324,192,706 in CCRS revenue sharing.



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## Total of All Demand Transfer Losses Since 2001

