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"You cannot escape the responsibility of tomorrow by evading it today." - Abraham Lincoln

A few days ago, I was asked if the City receives more tax money when valuations increase. The answer is, "It depends."

Property tax is the most criticized and misunderstood source of government revenue. The citizen was interested in recent media reports indicating statewide increases in property valuation. While in Russell County, we have not yet seen our valuation notices, it is probable, based on media reports across the State, we will experience the same. Naturally, we are all concerned about an increase's effect on our property tax. Different property classes – residential, agriculture, commercial – have different assessment rates, adding to the difficulty of answering the concerned citizen's question. The straightforward answer is this: Your taxes increase if your property valuation goes up and all the local taxing entities keep the mill levy the same, or the combination of levies remains unchanged. Conversely, a decrease in the overall levy should offset an increased valuation. If the taxing entity's budgeted revenue from property tax remains the same as the prior year, then the mill levy for that taxing entity would go down if values go up (more on that below).

The State levies 1.5 mills for State Building Funds in Kansas. Then each school district levies 20 mills that are sent to the State and then returned to the districts per a formula for public education. For these 21.5 mills, there will be an increase in taxes if your property value increases; the State has not decreased these 21.5 mills because statewide valuation goes up. So it will be up to the City, the County, and the School District when they set their budgets this summer.

Since 2015, the City of Russell has lowered its mill levy each year, albeit slightly. For the 2022 budget, the City levied only about \$1,500 more than received with the 2015 budget. In essence, for the City of Russell, there has been no growth in property tax revenue. Yes, here in the City of Russell, taxpayers pay more in property taxes than ten years ago, but the City has not been a part of that increase. In 2021 of the \$15,769,756 in property tax levied¹, the City of Russell accounted for 9.5%, not including Russell Recreation and the Library.

These taxes pay for Police, Fire, Public Transportation, 911 Services, Public Works, Streets, Building Planning and Zoning, Municipal Court, Golf Course, Swimming Pool, Parks, and the Deines Cultural Center, plus up to 4 mill appropriations for the Russell Recreation Commission and 4.76 mills for the Russell Public Library.

I often hear that the City needs to improve streets, alleys, blighted buildings, and add more amenities, which requires adequate funds. Of course, we have other revenue from sales tax; this is why shopping local is vital to support local businesses and your community. Yes, we

¹ Kansas Department of Revenue, 2021 Real and Personal Property Value and Tax Summary, Russell County.

complain about it, but the sales tax takes the burden off property taxes to provide funding for government services.

Local property tax, sales tax, and fees are not the only revenue source for local government. In 1997, the legislature created the Local Ad Valorem Tax Reduction Fund (LAVTR). The LAVTR program is supposed to share State sales tax dollars with local governments to lower property taxes. Under current law, the LAVTR transfer to cities and counties consists of 3.63% of the State's sales and use taxes. From 1997 to 2003, the legislature partially funded LAVTR, yet since 2004 the legislature has chosen not to support this property tax reduction tool. The City-County Revenue Sharing fund (CCRS) is supposed to transfer 2.823% of states sales and use taxes to cities and counties. The CCRS was established in 1978 as an agreement between the State and local governments where the local share of cigarette and liquor enforcement tax revenues went to the State to establish the CCRS. The State partially funded the CCRS from 1997 to 2003 and, like the LAVTR, quit funding the program in 2004. Loss in revenue to local government exceeds \$2 billion, money which the State of Kansas has kept.

I've been advocating for legislative leadership and local legislators to fund, even in part, the LAVTR to help reduce the property tax burden, as intended. With the State having a projected \$3 billion surplus, the estimated \$150 million could be funded. Legislatures told me supporting the LAVTR is a great idea to lower property taxes, yet no one would step up and introduce a bill to do so. The Tax Committee said it should go through the Appropriations Committee. The Appropriations Committee said it should go through Tax. So goes politics. I finally received a response from the House Committee on Appropriations Chair that LAVTR will not be discussed as a topic in the Appropriations Committee. Further, he indicated that the likelihood of it being included in the budget is minimal, and there is talk of removing LAVTR from the statute altogether.

I understand the state legislature has a full plate of issues before them, and I would argue that property taxes should be at the forefront of their discussion - tax relief for all Kansans. When the legislature passed the tax lid in 2016, they argued that property tax rate increases were unsustainable. In anticipation of the tax lid, many taxing entities raised their mill levy; the City of Russell did not. Then comes tax lid 2.0, with many "exemptions" that made the legislation futile. Now we have the Truth in Taxation legislation. The State of Kansas sets a revenue-neutral rate for each entity. It requires taxing entities to mail notification to every taxpayer before passing a budget if it plans to exceed this rate. Most taxing entities published notices that they would exceed the revenue-neutral rate in the first year. Now, the legislature is considering Truth in Taxation 2.0. This legislation allows taxpayers to appeal to the State Board of Tax Appeals if the taxing entity did not follow the rules. It's a great idea, but it does nothing to lower property taxes and potentially increases local administrative expenses for the taxing entity.

The governing body of the City of Russell has been mindful of property tax burdens by making good decisions for their City, including passing a budget that meets the community's needs and values. The governing body must weigh competing costs and benefits when it adopts the budget it believes is in Russell's best interests. The City has successfully identified and secured grant funds for many projects that we could not otherwise accomplish. Since 2015, the City has received over \$10 million in grant funding. The successful grant writing and employees doing more with less, cross-training, and fiscal responsibility have allowed us to keep our taxes flat, even as prices continue to rise.

Frankly, I don't know what the future holds. The City Council is concerned about property taxes and has prioritized keeping them flat or lower. We've accomplished this task for the past seven

years by simply being responsible and managing budgets for the long haul and not just for the short term. Every decision we make today, this month, and this year has an immediate short-term effect and impacts the community's long-term stability. As we strive to improve our city-wide operations to increase performance and reliability, we are constantly mindful during daily operations and ask ourselves if what we're doing is promoting long-term financial stability. I will argue that we have been doing that and will continue to do so.

Last week's legislative newsletter indicates, "The overall budget position for the House budget when passed out of committee has us with an ending balance of more than \$1.7 billion". That is great news for the State of Kansas, especially after putting \$500 million in the Budget Stabilization Fund (Rainy Day Fund). I would respectfully suggest an ending balance of \$1.7 billion can easily sustain honoring the decades-old agreement to lower property taxes by funding the Local Ad Valorem Tax Reduction Fund – helping all Kansans.