

Local Ad Valorem Tax Reduction (LAVTR) & Other State Funding Owed Counties Talking Points



The Kansas County Commissioners Association supports restoring the longstanding partnership between the State of Kansas and local governments to control property taxes known as the Local Ad Valorem Tax Reduction Fund (LAVTR).

Under the Local Ad Valorem Tax Reduction Fund, a portion of sales tax dollars collected by the State of Kansas are shared with city and county governments. It is Kansas law being broken by the Legislature.

Those funds are then directly applied to lowering property tax levies. This time-tested partnership—started in 1937 and cancelled in 2003—provides dollar for dollar reductions in property tax bills.

From 2004 through 2022, local governments have lost more than \$1.7 billion in legally owed revenues withheld by Kansas Legislatures. Every dollar would have gone to lowering property taxes.

The LAVTR partnership is a far better way to influence property tax rates than artificial and arbitrary controls such as tax and spending lids on local governments. Restoring the LAVTR will benefit every property taxpayer in Kansas.

LAVTR is not the only promised and legally owed revenues not being paid to cities and counties.

Special City-County Revenue Sharing

The Special City County Revenue Sharing Fund was established in 1978 as part of an agreement between local governments and the State of Kansas. Local governments gave up collecting local cigarette and liquor taxes in exchange for getting a percentage of the money returned by the state. The Kansas Legislature has broken this contract since 2001 costing local governments more than \$1.3 billion in owed revenue.

Special City-County Highway Fund

This is another legally owed amount of money Kansas Legislatures have not paid since 2001. This money comes from the property tax on motor vehicles which is collected by counties.

Local governments have lost more than \$412 million in legally obligated funding as a result of Kansas Legislatures illegally withholding these funds.

Casino Revenues

State law also allows a share of state casino revenues to be used for property tax reduction. A percentage of the casino revenues could be used to restart LAVTR.

***Total Dollars Owed But Not Paid to Cities and Counties since 2001:
\$3.5 Billion.***

Local Governments & the Kansas Legislature: An Expensive Broken Relationship



Cities, Counties and the Legislature are partners in making Kansas a great place to live, work and play.

But for more than 20 years that relationship has been strained with lawmakers disrespecting the Constitutionally guaranteed Home Rule and Local Control authority of cities and counties.

Kansas Legislatures have also ignored state law by refusing to send more the \$3.5 billion in legally promised funds to local governments since 2001. And it doesn't stop with not funding the Local Ad Valorem Tax Reduction Fund (LAVTR), the Special City-County Highway Fund (CCRS) and the Special City-County Highway Fund (SCCHF).

State law also allows a share of state casino revenues to be used for property tax reduction. The new casino revenues could be used to restart the Local Ad Valorem Tax Reduction Fund (LAVTR).

Going back more than 20 years the State of Kansas, struggling with massive budget shortfalls, began slashing millions of dollars intended for local governments every year. Those cuts now total billions of dollars.

In 2006, the Kansas Legislature repealed the property tax on commercial/industrial machinery and equipment. That decision, while positive for business, has taken a devastating toll on many cities and counties. Wyandotte County, for example, lost more than \$100 million in assessed value from elimination of the machinery and equipment tax in the first year alone, reducing Wyandotte County property tax revenues by more than \$7 million. Those dollars were once used to pay for police and fire protection, street repairs and general operations.

And to make matters worse, after only one year the Legislature broke its agreement with local governments to fund the machinery and equipment "slider" formula. That money was intended to offset the severe reduction in local revenues caused by the elimination of the machinery and equipment tax. Breaking the agreement on the "slider" payments cost Kansas counties hundreds of millions of dollars.

And the Legislature continues to off-load heavier workloads on counties without providing the money to pay for them. This puts more and more pressure on local property taxes. An example is the extra work placed on County Treasurers for motor vehicle registrations.

**The State of Kansas now has budget surpluses totaling billions of dollars.
It can afford to pay counties the money it should have been paying all along.**