

# A History of Demand Transfers

## by Kimberly Winn

**B**udget and tax decisions made by the Kansas Legislature have a serious impact on local governments. This article recounts the history of several key revenue sources and the impact of losses in the last 20 years. These losses have forced cuts in local budgets, cuts in services to citizens, and property tax increases in some cases.

Since 1991, cities and counties in Kansas have lost a total of \$1,403,631,968 as a result of state budget decisions and tax

policies. 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 a part of an agreement between the State and local governments that involved the loss of local revenue sources in exchange for the establishment of these funds.

### 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 back 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).

Table 1. Reductions in LAVTRF

Fiscal Year	Statute	Actual	Actual
1991	\$37,164,000	\$37,164,000	\$0
1992	\$38,966,000	\$38,576,000	\$390,000
1993	\$40,540,000	\$39,324,000	\$1,216,000
1994	\$41,971,000	\$40,293,000	\$1,678,000
1995	\$44,649,000	\$44,649,000	\$0
1996	\$47,054,000	\$46,301,000	\$753,000
1997	\$48,661,000	\$46,949,000	\$1,712,000
1998	\$50,688,000	\$47,771,000	\$2,917,000
1999	\$55,122,000	\$55,122,000	\$0
2000	\$57,903,000	\$57,903,000	\$0
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*	\$69,860,878	\$0	\$69,860,878
			<b>\$538,183,354</b>
* estimated			

### 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 a number of 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).

Table 2. Reductions in CCRS

Fiscal Year	Statutory	Actual Distribution	Loss
1991	\$28,351,000	\$28,351,000	\$0
1992	\$29,461,000	\$29,166,000	\$295,000
1993	\$31,153,000	\$30,218,000	\$935,000
1994	\$31,905,000	\$30,629,000	\$1,276,000
1995	\$33,375,000	\$33,375,000	\$0
1996	\$36,070,000	\$34,610,000	\$1,460,000
1997	\$37,117,000	\$35,095,000	\$2,022,000
1998	\$38,570,000	\$35,709,000	\$2,861,000
1999	\$41,376,000	\$36,566,000	\$4,810,000
2000	\$44,359,000	\$36,932,000	\$7,427,000
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*	\$54,329,823	\$0	\$54,329,823
		\$416,799,000	<b>\$459,094,540</b>
*estimated			

### 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.

Table 3. Reductions in SCCHF

Year	Statutory	Distribution	Loss
1991	\$9,972,000	9,052,000	\$920,000
1992	\$9,846,000	9,768,000	\$78,000
1993	\$10,389,000	9,631,000	\$758,000
1994	\$11,722,000	9,743,000	\$1,979,000
1995	\$14,008,000	10,036,000	\$3,972,000
1996	\$15,683,000	10,407,000	\$5,276,000
1997	\$15,998,000	10,553,000	\$5,445,000
1998	\$15,683,332	10,737,000	\$4,946,332
1999	\$16,124,589	10,995,000	\$5,129,589
2000	\$17,920,464	11,182,000	\$6,738,464
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
	\$361,680,091	178,245,000	\$154,931,170
*estimated			

### M&E Impact (Machinery and Equipment)

In 2006, the Kansas Legislature exempted new machinery and equipment from property taxation (Kansas Session Laws, Chapter 205, 2006). Because it was understood at the time that this would have a devastating impact on local budgets, certain mitigation was included as part of the final bill. Such mitigation included “slider” payments to offset losses as well as a partial reinstatement of LAVTRF funds. While some slider monies were received in 2007 and 2008, the mitigation for this tax policy has dried up.


As a result of the loss of property taxes on new machinery and equipment, cities and counties have lost significant revenues both as a result of the loss on the tax itself and the loss of the promised mitigation (slider payments).

Table 4. Loss resulting from M&E Policy

Year	Difference Between Current Year & 2005 M&E	Expected Slider	Slider Mitigation Received	Total Impact of M&E loss and loss of slider
2007	\$28,733,733	\$25,860,360	\$25,860,360	\$2,873,373
2008	\$76,422,937	\$53,496,056	\$25,009,406	\$51,413,531
2009	\$90,526,000	\$45,263,000	\$0	\$90,526,000
2010	\$106,610,000	\$31,983,000	\$0	\$106,610,000
				<b>\$251,422,904</b>

Table 5. Total of All Losses Since 1991

LAVTR	\$538,183,354
CCRS	\$459,094,540
SCCHF	\$154,931,170
M&E Impact	\$251,422,904
<b>Total</b>	<b>\$1,403,631,968</b>

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