

House Taxation Committee

Testimony in Support of House Bill 2609 Ed Eilert, Chairman, Johnson County Board of County Commissioners

March 9, 2016

Chairman Kleeb and Members of the Committee,

I am here today in support of House Bill 2609.

Before discussing the virtues contained in House Bill 2609, let me state that Johnson County opposes the tax lid passed during the 2015 legislative session. Last year, had there been a public hearing on the bill, I would have appeared in opposition. We do not believe such a tax lid is necessary and erodes the authority of elected local government officials to govern our communities in an ever changing economic environment. For years, Johnson County Government has demonstrated restrained local property tax growth by taking publically recorded votes following public hearings and public input in our budget process...and if we got it wrong, voters have been more than willing to 'show us the door' at the next election.

However, we acknowledge the current situation and if a repeal of the tax lid is not possible, we urge you to support the expansion of the existing exemptions as outlined in House Bill 2609, in order to make the current policy workable.

First, increasing the exemptions in the current law is beneficial for the efficient and realistic operations of local government. House Bill 2609 includes the expansion of essential services exemptions. These exemptions reflect the state law in place in the 1990's when the last State tax lid was in place and provides a solid foundation to maintain essential public safety, governmental, and social safety net services demanded by our local residents.

Second, expanded exemptions provide the ability for local governments to be timely, flexible, and targeted in securing economic development opportunities. In Johnson County, had a tax lid without exemptions been in place, we would have been severely limited in our ability to contribute \$13 million in road improvements to help attract the Burlington Northern Santa Fe Intermodal facility. In the future, a tax lid without exemptions will limit our ability to partner with other Johnson County Cities on many levels including our County Assisted Roads System (CARS) program, which provides basic maintenance to major road corridors, a key in attracting and retaining businesses in our region. A tax lid without exemptions will limit our ability to

invest in quality of life amenities such as Parks and Libraries, an increasing factor in attracting and retaining businesses. A tax lid without exemptions will limit our ability to support the non-traditional economic development efforts such as the “Enterprise Center of Johnson County”, a successful business incubator in the region providing strong job growth returns on investment and spurring entrepreneurial activities including the Women’s Business Network and the Angel Investors program.

Third, the exemptions noted in House Bill 2609 are needed to provide some flexibility to offset the large reductions in dollars to local Cities and Counties by virtue of changes in State policy. There is a correlation between reduced state funding to local units of government and local property tax increases over the last few years. In Johnson County, reduced state funding or limitations on local revenue are significant.

- LAVTRF \$88.7 million lost revenue between 2003-15.
- City County Revenue Sharing \$51.8 million lost between 2003-15.
- Machinery and Equipment changes, lost revenue of \$100 million between 2008-16.
- Mortgage Registration Fee (Including the new recording fee revenue) \$48 million projected lost revenue between 2015-18.

- Total Lost Revenue between 2003-2018 is \$288.5 million.

It should be noted that during this time of reduced revenue, Johnson County grew by 104,000 new residents between 2003 and 2016.

Property taxes raised locally are the only available option to fill these revenue holes since Johnson County is ‘maxed out’ on sales tax authority for general government. Despite this loss of revenue, our mill levy between 2003 and 2016 for general government has increased only 3.3 mills...from 16.2 to 19.5 mills and is still the lowest mill levy of all 105 Kansas Counties.

We respect the authority you have as elected officials to make taxing decisions without the added oversight or costs of holding an election. We simply ask that you also respect our authority as locally elected official to do the same. Like you, we are directly answerable to the voters, citizens, and taxpayers in our community. While House Bill 2609 is not where we ultimately should be, it does provide the flexibility we need at the local level and as such, is worthy of your support.

Thank you and I am happy to stand for questions at the appropriate time.