



CITY MANAGER

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Date: March 4, 2016

To: CHAIRMAN MARVIN KLEEB, HOUSE TAXATION COMMITTEE
From: DARON HALL, PITTSBURG CITY MANAGER
Subject: Written Testimony Supporting HB 2609

Dear Chair Kleeb and Members of the Committee:

I am Daron Hall, City Manager for the City of Pittsburg, Kansas. I am here today in support of HB 2609 which would change the instrument used to measure inflation, change the requirements for triggering and election, and add exemptions in calculating the increase of ad valorem tax for the property tax lid.

While I have concerns with the overall concept of a tax lid, as I believe the concept of Home Rule allows communities in Kansas to govern such issues, and provides accountability to the tax payers at the local level, my support today for HB 2609 stems from the idea that improving the current law is progress.

Using a statewide law, based on a national index, and applying it to cities that have vastly different needs is not equitable and is not in the best interest of Kansans. Simply looking back one year to determine what an appropriate increase should be fails to account for the long range view that is needed for building a strong local economy. We make decisions based on long-term factors and plans. The tax lid forces us to take a short-term approach. If an index must be used then I believe the municipal index outlined in HB 2609 is an improvement over the CPI-U which is more reflective of consumer purchases than municipal expenses.

Fiscally, each community in Kansas is unique. Each has different economic conditions which drive property valuations, mill rates and overall tax policies. In some communities the population is growing, commerce is growing and the need for additional services is real. In other communities the reverse is certainly true as well. That is why the ability to set the property tax rate annually, at the local level, in order to address the fiscal needs of our community, while considering the current valuation, community goals and many other factors, is best left in the hands of local elected officials.

Our communities are different, as unique as any one of us is, and limiting our ability to fiscally manage our local economy will only ensure that we limit growth in those areas where it is occurring.

In Pittsburg over the past eight years we have seen a \$10.5 million decrease in valuation, the equivalent of 8%, and a result of the Great Recession. We have not seen a turn-around from that initial decline. Cumulatively, this is a reduction of over \$49,000,000. Nevertheless, we did not increase the mill rate to make up for this decrease in valuation. We made the decision to

hold the line and try to turn the economy around, while allowing the tax payers to benefit from lower tax bills.

I will let other communities tell their stories, but for Pittsburg and Crawford County we are gradually turning this around. We have new investment; we have strong partnerships; we have low unemployment; growing job numbers and increasing sales tax receipts. This isn't a coincidence. It is the result of a strategic effort by the community, including the schools, the University and our local business to invest in ourselves and grow our economy. Just when we are about to move the needle, we have been told that our ability to encourage growth will be capped by the property tax lid. HB 2609 includes changes which will alleviate some of these constraints by allowing additional exemptions for the rising costs of employee, and costs for responding to a natural disaster, just to name a few.

While the property tax lid exempts increases in taxed property due to new construction, it would limit the surrounding increases in valuation which naturally occur. We have all seen it. Fix the worst house on a block and watch the change when the other property owners start replacing roofs, windows and adding a coat of paint. Remove a blighted building on Main Street and replace it with a new structure, which becomes home to a new business, and watch the other property owners improve their properties. The result of this improvement is increased valuation of the existing property, which allows for increased taxes to pay for the necessary services for a growing community.

This is how communities grow. We should be able to support the investments made by our businesses and communities. Capping the increased valuation of existing property is not productive. It is restrictive. It is not natural; it is artificial and will impair the ability to improve the quality of life for the people who live in our community.

If you believe the residents in Pittsburg and Crawford County enjoy the label of the "poorest" area in Kansas you are mistaken. To help them would be to give them additional tools to support the momentum they have; not to add additional barriers to their growth. That is what a property tax lid does. It ensures that you cannot grow at a rate above some predetermined index, based on one year, while not taking into account many critical factors which are unique to each community. Our uniqueness makes our communities great. Please don't treat us all the same.

A tax lid may be necessary in some communities but it will have detrimental effects on Pittsburg as we continue to grow and progress. If the lid is necessary, please consider HB 2609 as an alternative to the current law.

Thank you for your time and consideration on this important matter.

**City of Pittsburg, Kansas
Last Ten Years
Mill Levy and Valuation**

Budget Year	Mill Levy	Change		Gross Valuation	Change	TIF District	Neighborhood Revitalization	Taxable Valuation	Change
2006 for 2007	43.663		\$	123,914,007		(2,128,910)	(496,902)	121,288,195	
2007 for 2008	45.480	4.16%	\$	129,985,867	4.90%	(2,481,576)	(399,079)	127,105,212	4.80%
2008 for 2009	45.467	-0.03%	\$	131,790,869	1.39%	(2,539,704)	(658,665)	128,592,500	1.17%
2009 for 2010	45.448	-0.04%	\$	124,594,779	-5.46%	(2,368,372)	(509,218)	121,717,189	-5.35%
2010 for 2011	45.459	0.02%	\$	121,257,084	-2.68%	(2,368,372)	(674,887)	118,213,825	-2.88%
2011 for 2012	45.616	0.35%	\$	120,753,686	-0.42%	(2,213,718)	(620,810)	117,919,158	-0.25%
2012 for 2013	45.578	-0.08%	\$	120,595,229	-0.13%	(2,079,640)	(794,044)	117,721,545	-0.17%
2013 for 2014	45.532	-0.10%	\$	120,560,643	-0.03%	(2,079,638)	(985,559)	117,495,446	-0.19%
2014 for 2015	48.491	6.50%	\$	121,230,914	0.56%	(1,977,105)	(1,155,110)	118,098,699	0.51%
2015 for 2016	48.471	<u>-0.04%</u> 10.73%	\$	121,432,877	<u>0.17%</u> -1.70%	(2,242,157)	(1,174,559)	118,016,161	<u>-0.07%</u> -2.42%
Average Annual Change		1.19%			-0.19%				-0.27%

