



City of Lawrence

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To: Chairman Marvin Kleeb, House Taxation Committee
Subject: Testimony in Support of HB 2609

City of Lawrence Statement on Pending Tax Lid Legislation

In 2015, the Kansas Legislature hastily enacted Senate Sub for HB 2109 (reconciled by House Bill 2142) that imposed a restriction after January 1, 2018, on the ability of a city to increase ad valorem property taxes more than a restrictive consumer price index, unless such action was first approved by voters in a special election. The City of Lawrence joins the Kansas League of Municipalities and a host of other cities in calling on the Legislature to repeal the 2015 tax lid legislation in its entirety. The tax lid legislation is contrary to the Home Rule Amendment of the Kansas Constitution – an amendment approved by the Kansas voters in 1960.

The City of Lawrence believes strongly that local spending and taxing decisions should be left to local officials representing the citizens that elected them. Just as the Governor and the Kansas Legislature cry foul when the federal government tries to interfere with states' rights, we object to the Legislature's infringement on local control.

The 2015 tax lid legislation has a number of flaws. Implementation of the current law, in light of other statutory deadlines for budgeting, assessed valuation, and special elections, is unclear. No guidance has been given by the state on how to resolve the conflicting statutory provisions. The law in its present form creates unworkable timeframes for municipalities. The City of Lawrence will get final appraisal data from the County on July 1. Under the current law, cities would have to finalize budgets by June 1 if an increase above CPI-U is needed in order to have an election in August. Budgets and elections would have to be based on projected values from the County.

A second significant flaw of the current law is the consumer price index. The selected consumer price index, the Consumer Price Index for All Urban Consumers (CPI-U), is unreasonably restrictive, and measures goods such as food, shelter, and apparel that a City does not regularly purchase. The CPI-U provides no guidance on the array of products a city does buy: salt, sand, water and sewer pipe, fire trucks, sanitation trucks, playground equipment, concrete, asphalt, and so on.



Our governing body has been greatly challenged over the years to maintain the high level of municipal services that our citizens expect in light of state legislative decisions that have greatly reduced state revenues to local units of government. Beginning in 2003, due to State budget instability, cuts were made to Local Ad Valorem Tax Reduction (LAVTR) transfers to cities. In Lawrence, the loss of revenue was \$674,353 in 2004 which equated to 1.2 mills lost. In 2016, the estimated revenue lost is over \$1.2 million dollars. In 2006, the Legislature passed changes to exempt Machinery and Equipment (M&E) from the tax rolls. The revenue loss to the City in 2015 was \$32,132,144 (a decline of 66%) in assessed valuation equating to 1.1 mills. Today, the combined revenue loss equates to approximately 2.5 mills. The City's mill levy from 2003 to 2016 has only increased by 3.398 mills, a growth of 10.8%. If you take away the impact of lost State revenue (2.5 mills), the City mill levy would only be 0.898 mills greater today or 29.988, a change of 3%. The CPI over the same time frame has increased 24.1%.

Impact of Machinery and Equipment to Assessed Valuation			
City of Lawrence			
Property Classification	2007	2015	% change
Real Property	\$783,439,460	\$849,772,938	8%
Personal Property	\$49,008,430	\$16,875,986	-66 %
State Assessed	\$21,143,098	\$27,914,590	32%
Total Assessed Valuation	\$853,590,988	\$894,563,514	5%

Impact of LAVTR Loss to City Revenue				
Year	LAVTR Revenue (loss - projected)	Assessed Valuation	Mill Levy Impact – LAVTR cuts	City Mill Levy
2003	\$783,006			28.09
2004	(\$816,894)	\$674,353,182	-1.2114	27.86
2005	(\$850,783)	\$717,553,891	-1.1857	26.36
2006	(\$884,671)	\$776,860,997	-1.1388	26.375
2007	(\$981,559)	\$824,365,924	-1.1143	26.358
2008	(\$952,448)	\$853,676,870	-1.1159	26.787
2016	(\$1,223,555)	\$894,944,702	-1.3762	31.488

Our local elected officials are faced with trying to fund a number of community priorities, including addressing a need for affordable housing for our residents, maintaining adequate facilities and equipment for our operations, providing for public safety, and maintaining public infrastructure. And the demand for municipal services continues to increase as we grow in population and in territory. Having a restrictive tax lid in place greatly inhibits our ability to provide an appropriate level of service to a growing city. We urge you to leave local tax and spending decisions to local elected officials who ultimately answer to our local voters.