



City of Dodge City

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To: Chairman Marvin Kleebe, House Taxation Committee

From: Joyce Warshaw, Mayor, City of Dodge City

Date: March 4, 2016

Subject: Written Testimony Supporting HB 2609

Chairman Marvin Kleebe and members of the House Taxation Committee, thank you for the opportunity to provide written testimony today on behalf of the City of Dodge City supporting House Bill 2609, which would change the election requirement to require at least 10.0 percent of the electors to sign a petition before triggering an election required to approve the budget. It would also change the instrument to measure inflation to the Municipal Cost Index, and add exemptions in calculating the increase of ad valorem tax.

The City of Dodge City respectfully asks you to consider the proposed bill that that would change the election requirement to require a petition to be filed and signed by at least 10.0 of the local government's electorate. We feel that by making this change it would allow for a much simpler and less costly process for Kansas municipalities to approve the budget. Under the current legislation, we estimate that the election requirement could cost cities and counties up to \$10,000 for election fees and result in an increase of tax payer's money being expended.

Structuring a tax lid around the Consumer Price Index for all urban consumers (CPI-U) is not a realistic assessment. The CPI-U reflects household spending patterns that focus on shelter (food, apparel, recreation, medical care and other goods and services). Similar to education institutions, municipal governments have their own spending patterns that are different than those from other economic sectors (salaries and wages, employee benefits, contractual and general services, fuel and oil and interest expense). The CPI-U does not reflect the municipal purchasing structure and it does not reflect changes in the cost experience. While the CPI-U had a 32 percent change increase over a 15-year period, items purchased by municipalities had a much more significant percent change in price, see the following examples:

Construction Materials			
Item	Price in Year 2000	Price in Year 2015	Percentage Change
Asphalt	\$40.50 a ton	\$71.75 a ton	77%
Concrete Sidewalk	\$21.00 a S.Y.	\$70.00 a S.Y.	233%
Rem/Repl Curb & Gutter	\$15.00 a S.Y.	\$30.00 a S.Y.	100%
Health Insurance			
Plan	Price in Year 2005	Price in Year 2015	Percentage Change
Family	\$536 a month per emp	\$1,315 a month per emp	145%
Single	\$252 a month per emp	\$574 a month per emp	128%

We strongly suggest structuring the tax lid using the Municipal Cost Index (MCI). The MCI estimates the rate of inflation for purchases by American municipalities. It is a composite index, a weighted average of more detailed price indexes measuring consumer price cost fluctuations, industrial commodity wholesale prices, and construction contract costs. These weighting factors mentioned above reflect a real composition of local government purchases in a given year.


HB 2609 would add the following exemptions including:

- The principal and interest on state infrastructure loans, bonds, temporary notes and no-fund warrants, payments made to a public building commission and lease payments; expenses for law enforcement services, emergency medical services, mental health services, securing or retaining industries, and economic development programs; and
- Employer contributions for Social Security, workers compensation, unemployment insurance, health care costs, and
- Employee retirement and pension programs are important to cities and counties. These exemptions will give municipalities the flexibility to react to the needs of its tax payers.

The exemption to bonds and interest payments are of extreme importance to Dodge City. Looking back 15 years in our city, without this exemption the majority of our street improvement projects would not have been possible. Most if not all of our street projects would have triggered an election if a tax lid had been in place. Not to mention the importance to include the exemption for public safety services. Dodge City just like any other community must have the ability to maintain essential services (i.e. emergency medical services, law enforcement, etc.) to serve and address our community needs.

It is for all of the above reasons that we strongly urge you to support House Bill 2609 which includes changing the instrument to measure inflation, changing the requirements for triggering an election to increase the ad valorem tax, and adding exemptions in calculating the increase of ad valorem tax. For your information I have enclosed a copy of the City of Dodge City tax lid analysis and additional points opposing the tax lid legislation. Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script, reading "Joyce Warshaw".

Joyce Warshaw, Mayor

CITY OF DODGE CITY

PROPERTY TAX LID ANALYSIS



Property Tax Lid

During last session, the Kansas Legislature enacted House Bill 2142 which placed a restriction on governing bodies after January 1, 2018, that prohibits cities and counties from increasing property taxes above the consumer price index (CPI) unless approved by a special election. HB 2142 also allowed for certain exemptions to the increase if they were the result of cost associated with new infrastructure, certain property taxes levied for bonds and interest, certain road construction costs, special assessments, and a number of other items. On January 11, 2016 Senate Bill 316, was introduced on the floor of the senate this session, which would move the lid's effective date to July 1, 2016, and take away many important exemptions to the property tax lid.

Analysis

The Kansas Association of Realtors (KAR) pushed the initial floor amendment in the 2015 legislative session, producing materials for communities across the State of Kansas. However, the material produced by KAR was inaccurate. The material depicts billions of dollars that Kansas citizens would have kept had a tax lid been in place from 1997-2013. After using the same framework analysis we concluded that the figure amount that would not have been collected had the tax lid been in place is \$1,582,661, divided among more than 14,000 taxpayers over 15 years (see Table and Graph 1). Rounded to the nearest dollar, this results in \$7.50 dollars per year per taxpayer. It is important to note that the figures mentioned above were calculated without exemptions. This demonstrates that the billions of dollars of projected savings by KAR does not exist.

The City of Dodge City strongly opposes this legislation for the following reasons:

Adverse Effects

Without the exemptions, there is a very real cost to communities across Kansas. The cost is to the different programs that cities currently finance such as public safety, infrastructure, Rural Housing Incentive Districts and Neighborhood Revitalization Programs. Any tax lid deters public investment for private developments, particularly those using public finance tools backed by the "full faith and credit of the City." As written, the exemption for new construction and annexation only looks back to the previous year, thereby creating the same dis-incentive for a City to invest in growth and development projects. Furthermore, Elections triggered by the tax lid would cost more than \$10,000. If a final vote disallows the increase above the consumer price index, items from the General Fund would be eliminated. In Dodge City, Police and Fire make up more than 50.0 percent of the General Fund, so any cut will greatly impact public safety. Additional cuts may be required to street and parks maintenance, public transportation and economic development.

This analysis prepared by the administration of the City of Dodge City, shows that the Kansas Property Tax Lid passed during the 2015 Legislative Session was supported by inaccurate data, will have an adverse effect on economic growth in Dodge City and will negatively impact public safety, street maintenance and economic development.

CITY OF DODGE CITY

PROPERTY TAX LID ANALYSIS



Home Rule

In the November 1960 general election, Kansas voters elected to amend the State Constitution starting on July 1, 1961, to approve Home Rule for cities and counties of the State. Home rule is a limited autonomy or self-government granted by a central or regional government to its dependent political units. Through the Kansas Constitution, Article 12, Section 5, cities are no longer dependent upon specific enabling acts of the Legislature, giving cities authority in the absence of State legislation. This amendment applies to all cities regardless of their class. Language in that amendment included:

“Cities are hereby empowered to determine their local affairs and government including the levying of taxes, excises, fees, charges and other exactions...”

Citizens not only voted for local control, but also to elect mayors, councilmembers, and commissioners to make decisions for their city, including passing a budget that meets the community’s needs. Removing taxing and revenue authority from local officials, who were elected by their citizens, erodes the representative democracy that is the backbone of this great state and our country.

Poor Metrics

Under House Bill 2142, the City of Dodge City’s budget will be determined by poor metrics. Structuring a property tax lid around the Consumer Price Index for all urban consumers (CPI-U) is not a realistic assessment. Cities and Counties do not purchase the same items urban consumers purchase. The CPI-U is based on the expenditures of households, it gauges increases in food, apparel, recreation, medical care and other goods and services. Cities and Counties purchase items such as asphalt, snow plows, police cars, personnel services, employee health care, which require a different metric assessment. Rates of inflations for these items are much different than a consumer “basket of goods”. Keep in mind that rates of inflation for items Cities and Counties purchase have a substantial difference when compared to products urban consumers purchase. For example, the average cost per ton of asphalt in year 2000 was \$40.50 and in 2015 was \$71.75 per ton, this is a 77 percent increase over a 15-year period. On the other hand, the CPI-U had a 32 percent increase over a 15-year period. As you can see, this is a much different inflation rate when compared to consumer goods such as eggs or coffee, which are items urban consumers buy and the CPI-U measures.

Conclusion

The City of Dodge City respectfully requests that you oppose this property tax lid or any proposed legislation that removes important exemptions. Furthermore, in response to current and future State cuts and increased demands of services, the City of Dodge City supports the ability of local elected officials to make decisions for their communities, particularly local tax and revenue decisions. Dodge City believes that self-governance by locally elected officials must be preserved in order to insure that local issues and problems are handled at the closest level of government closest to the citizens that they represent.

City Commission

Joyce Warshaw, Mayor; Rick Sowers, Vice-Mayor; E. Kent Smoll, Commissioner; Brian Delzeit, Commissioner; and Jan Scoggins, Commissioner.

Cherise Tieben, City Manager; Nannette Pogue, Finance Director

Graph 1: Dodge City's Actual Property Tax Revenue without Exemptions

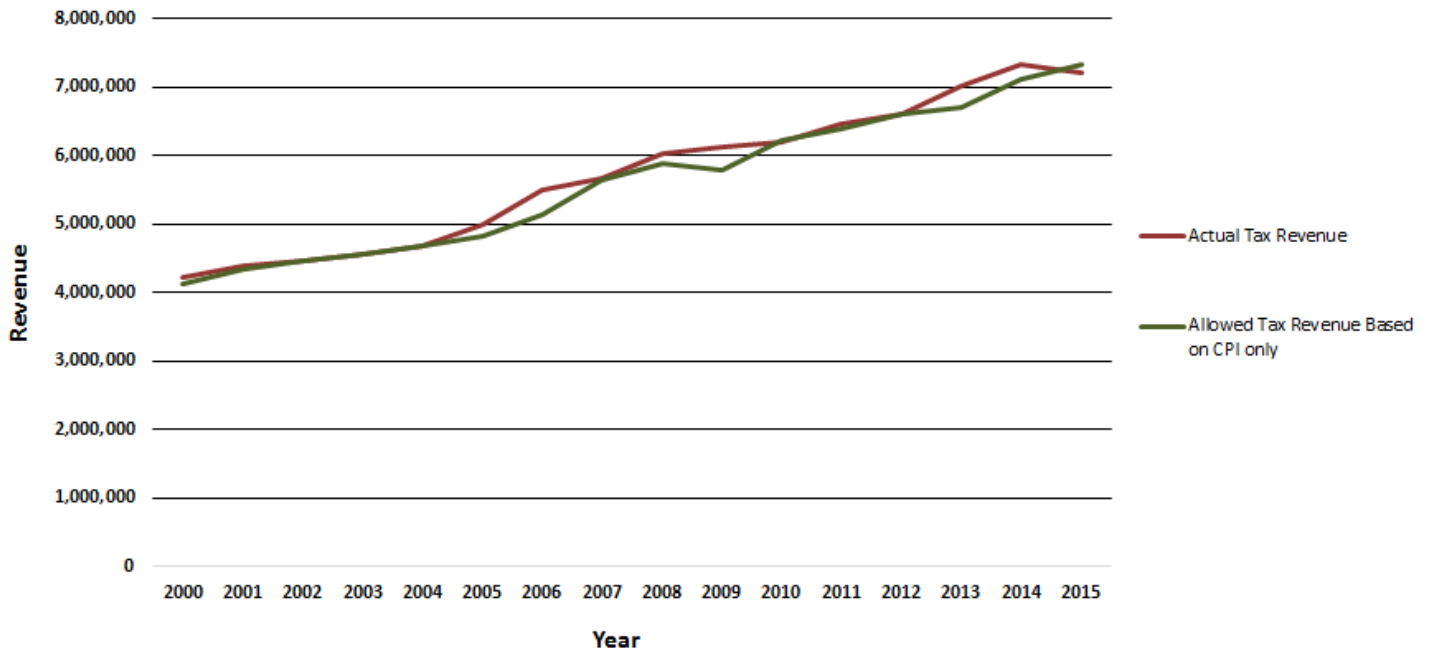


Table 1: Dodge City's Actual Property Tax Revenue without Exemptions

Year	Tax Revenue	Change in Tax Rev.	% Change Tax Amt	CPI Only	CPI Change Allowed	Allowed CPI Tax Revenue	Difference
2000	4,231,065	242,699	5.74%	3.40%	135,604	4,123,970	107,095
2001	4,398,413	167,348	3.80%	2.80%	118,470	4,349,535	48,878
2002	4,460,285	61,872	1.39%	1.60%	70,375	4,468,788	-8,503
2003	4,557,109	96,824	2.12%	2.30%	102,587	4,562,872	-5,763
2004	4,676,753	119,644	2.56%	2.70%	123,042	4,680,151	-3,398
2005	4,985,700	308,947	6.20%	3.40%	159,010	4,835,763	149,937
2006	5,497,426	511,726	9.31%	3.20%	159,542	5,145,242	352,184
2007	5,663,915	166,489	2.94%	2.80%	153,928	5,651,354	12,561
2008	6,021,138	357,223	5.93%	3.80%	215,229	5,879,144	141,994
2009	6,114,470	93,332	1.55%	-4.00%	-240,846	5,780,292	334,178
2010	6,193,539	79,069	1.29%	1.60%	97,832	6,212,302	-18,763
2011	6,461,943	268,404	4.33%	3.20%	198,193	6,391,732	70,211
2012	6,613,021	151,078	2.34%	2.10%	135,701	6,597,644	15,377
2013	7,006,277	393,256	5.95%	1.50%	99,195	6,712,216	294,061
2014	7,326,732	320,455	4.57%	1.60%	112,100	7,118,377	208,355
2015	7,218,316	-108,416	-1.48%	0.10%	7,327	7,334,059	-115,743
							1,582,661