



**TESTIMONY IN SUPPORT OF HB 2609 – An act concerning the approval of budgets by taxing subdivisions; resolution and election requirements**

To: Rep. Marvin KleeB, Chairman  
Members of the House Committee on Taxation

From: City of Lenexa, Kansas

Date: March 9, 2016

Honorable Chairman and members of the House Committee on Taxation, the City of Lenexa thanks you for the time in allowing us to express our support of HB 2609.

We can agree that irresponsible government spending is a bad thing. The local property tax lid enacted by the legislature was meant to reign in out-of-control municipal spending. The common rhetoric is that rogue city councils are wildly raising mill levies with no control by local voters. We cannot speak for other communities, but we can assure you that this characterization cannot be farther from the truth in Lenexa.

A usual critique of local property taxes is that they are ever-increasing. The City of Lenexa has actually decreased each citizen's property tax burden. In the past decade and adjusted for inflation, the City has reduced per capita property tax revenue by 8.3%. In FY 2016, the City will collect \$396 per capita in property tax revenue adjusted for inflation. In FY 2006, that figure was \$432.

The generalization that municipal tax collections and spending are out of control is absurd. The City of Lenexa has consistently demonstrated fiscal responsibility in measurable ways. Through sound fiscal management, the City has earned Triple-A bond ratings from each major bond rating agency. In 2015, 77% of Lenexa residents indicated they were satisfied with the value they received for their tax dollars. Only 6% indicated they were not. These figures are considerably higher than the national average. Furthermore, the rate of satisfaction has steadily increased over the past decade.

The property tax lid enacted in 2015 is scheduled to take effect in 2018. This date was agreed to so there was time to prepare for the transition and determine how new budget election processes would work. The Senate is now considering SB 316 which needlessly accelerates the effective date and strips away several exemptions to the law that are crucial to providing the level of service our citizens have come to expect.



HB 2609 is a sensible alternative to SB 316 that allows each community to determine if it wishes to impose a tax lid upon itself – the ultimate exercise of local control. We support HB 2609 for the following reasons:

**1. The bill maintains voter oversight in the budget process.**

- Current law and SB 316 purport to provide more voter control of the local budget process. Voters have already elected council members and commissioners to be stewards of the public's tax dollars. In fact, their main function is to develop and adopt a balanced annual budget. Current law requires a public hearing on the budget every year. For the past several years, no citizens have addressed the Lenexa City Council on matters of the budget – neither in favor nor opposition. To ensure the public will have more oversight in the local budget process, a protest petition provision is proposed with HB 2609. This provision is consistent with the protest petition requirements for other areas of public policy.

**2. The bill will allow cities to continue to invest in economic development and job creation.**

- Making long-term commitments contingent upon public votes creates a lack of confidence in funding for programs, services, and economic development initiatives, which suppresses growth. Many local developers have expressed concern that the property tax lid will negatively affect economic development. Accelerating the effective date of the tax lid only exacerbates that sentiment. The uncertainty in SB 316 will make it extremely difficult for the city to make commitments or to responsibly invest in economic development and job growth. In FY 2015, the City Council levied a two mill budget increase to pay for the development of Ridgeview Road. This investment in the future of Lenexa is meant to support the private sector and will help create hundreds of permanent and construction jobs in the community over the next few years. Proposed private development totals in the hundreds of millions of dollars and will be a boon to State coffers through increased sales and property tax revenue. The mill levy needed to support the design and construction of this road may not have been raised were the tax lid in place. HB 2609 ensures that this kind of responsible investment can continue.

**3. The exemptions included in HB 2609 are consistent with the tax lid Kansas repealed in the late 1990's.**

- Three important exemptions, the bond and interest, tax abatement expiration, and unfunded mandate provisions are included in HB 2609. One exemption that both HB 2609 and SB 316 keeps, and that the City supports, is for tax revenue increases that result from new construction. Growing the local economy has costs associated with it and capturing additional tax revenues to support the infrastructure and services those areas require is crucial to ensuring our community remains a good place to live, work, and raise a family.

City of Lenexa / 12350 West 87th Street Parkway / Lenexa, Kansas 66215

City of Lenexa / P.O. Box 14888 / Lenexa, Kansas 66215

913.477.7500 City Hall / Fax 913.477.7639

[www.lenexa.com](http://www.lenexa.com)



**4. The city's budget will be benchmarked by a more appropriate metric.**

- Current law and SB 316 structure the tax lid around the consumer price index for all urban consumers (CPI-U). This is not a realistic benchmark of tax revenue growth. The City does not purchase the same items urban consumers purchase. The CPI-U gauges increases in food, apparel, rent, etc. We purchase items such as asphalt, snow plows, police cars, personnel services, and health care. These goods and services require a different metric. Rates of inflation for these items are much different than an individual consumer's "basket of goods." The Municipal Cost Index (MCI) proposed in HB 2609 is a more appropriate benchmark.

There are several fundamental issues with applying a property tax lid to responsible and effective local governments. The version of the property tax lid passed in 2015 was not optimal and SB 316 will be detrimental to the long-term economic and fiscal interests of our community and the State of Kansas. HB 2609 addresses concerns of voter oversight while maintaining the flexibility for local elected officials to responsibly invest in the future of their communities. We support HB 2609 and urge the committee to do so as well.