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KANSAS

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House Committee on Taxation
Hearing on HB 2609
March 4, 2016
Statement by the City of Overland Park

Chairman Kleeb and members of the House Committee on Taxation;

This testimony is submitted on behalf of the Mayor and twelve (12) elected city council members of Overland Park.

First, the City is still fundamentally opposed to the general framework of the existing law under the premise that Kansas cities and counties have been given a constitutional right to govern their own affairs. This right of home rule is essential to the fundamental belief that government closest to the people is the most responsive and accountable form of government.

The City of Overland Park for over thirty (30) years has maintained the lowest property tax rate of any first class city in Kansas and today still has the lowest mill levy rate among first class cities in the state. In 1999 our mill levy rate was 8.533 and in 2016 it is 12.848. Historically the City has, when applicable, actually rolled back its mill levy rate in response to rapidly increasing growth in assessed valuation or raid growth in sales tax revenue.

In 1999, the average home value in Overland Park was $149,325 and paid $147 in property taxes to the City of Overland Park. Pushing forward to 2015, the average home value was $257,190 and paid $267 in 1999 inflation adjusted dollars. That is equivalent to an increase of $7 a year since 1999. During that same time period of time the population of Overland Park has increased approximately 50,000 and the City has added approximately 450 lane miles of new and reconstructed streets. Furthermore, the City’s calls for fire service have increased 117%. Even with this growth, the City’s commitment to efficient and effective government through the prudent and judicious use of property taxes actually means that the City spends less per capita today than it did in 1999.

The current law is counterproductive to the City and the State’s desire to attract economic development by providing a strong quality of life for its businesses and citizens. In the future, the City’s elected officials may not have the financial capacity to invest and reinvest adequately to maintain the economic growth Overland Park has experienced over the past fifty-six (56) years. This law in its current and proposed form may require the City to set aside fiscal resources dedicated to public infrastructure and other community investments and instead use them for general fund expenditures. Historically, Overland Park would not have been able to grow to be one of the nation's top 130th most populated cities without the ability of elected leaders to provide this much needed public investment and maintenance.

The City has already been required to adjust and manage its fiscal resources based on previous actions taken by the State in the past twenty (20) years. In reality, the growth in property tax revenue from assessed property valuation has already been offset by the loss of property tax revenue in other areas. For example, in the early part of the last decade the State eliminated property tax revenue to cities from special machinery and equipment. That State action resulted in an approximate loss of $26 million in property tax revenue through 2015.

The current law relies on an inflationary metric that is irrelevant to how a city or, for that matter, how a private business, manages it growth in both revenue and expenditures. The Consumer Price Index (CPI) is a home commodity based inflationary metric that does not take into account items like the cost of personnel services such as health care, the cost of public safety and public works equipment costs, or the costs associated with building and maintaining public infrastructure. Those inflationary costs are the real metrics in the cost of providing essential local public services. As an example, in 1999 the average cost of building one mile of city thoroughfare was $2.91M; in 2015 the average construction cost was $5.15M - this is an increase of 77%.

Based on the above, we do support the use of the Municipal Cost Index (MCI) as proposed in HB 2609 which is a more accurate reflection in the real cost growth of providing essential public services.

The current law is also somewhat misleading to the public as to what the real property tax relief will be. In Overland Park, for example, the City's property tax burden is approximately 11% of the overall property tax burden to a residential or commercial property owner. Any growth in assessed valuation will still generate a noticeable increase in a property owner's property tax burden; however, the City is one of the two taxing jurisdictions that will be limited in its ability to capture that revenue growth even though it provides the essential public services such as public safety, fire service, and public infrastructure. Under the stated intention of the current law, the law should also be applied to fire districts, drainage districts, community colleges, and the state of Kansas to be fully effective and transparent to a property owner.

Even though the City opposes the framework of the current law and even the basic framework of HB 2609 we do support many of the proposed changes outlined in HB 2609. The City does support the proposed filing of a petition prior to holding an election to determine if the City is allowed to keep the additional property tax revenue above whatever inflationary metric is in place. However, we still have great concerns about the timing of those petitions and the subsequent elections, if applicable, and how they will synchronize with the city budget planning, development, and approval process. Any electorate actions must be legally synchronized with the existing statutory requirements of developing and approving a city budget.

We do support all of the current exemptions and the addition of the following exemptions as proposed in HB 2609. Those additional exemptions are: (1) employer contributions for social security, workers compensation, unemployment insurance, health and dental care costs, and retirement and pension programs; (2) municipal/district court operations; (3) expenses related to natural disasters; and (4) essential services such as law enforcement, mental health services, and emergency medical services.

However, we do oppose moving the effective date of the law any earlier than January 2018 as we operate financially on a five-year planning cycle. That time is absolutely necessary for the City to make adjustments in anticipation of the potential reduction in property tax revenue.

Thank you for your consideration and for your service to our State.

Respectfully submitted,

Carl Gerlach

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Mayor