KLPG

WRITTEN TESTIMONY ONLY

Testimony of Randy Braddock, Hamilton County Commissioner
Before the House Taxation Committee
In Support of House Bill No. 2609
March 9, 2016

Member Counties
Barber
Barton
Clark
Cloud
Ellis
Finney
Ford
Gove
Grant
Gray
Hamilton
Harper
Haskell
Hodgeman
Kearny
Kiowa
Lane
Logan
Meade
Morton
Ness
Norton
Rawlins
Rice
Russell
Rush
Scott
Seward
Sheridan
Sherman
Stanton
Stevens
Thomas
Trego
Wallace
Wichita

Chairman Kleeb and Members of the Committee:

Kansas Legislative Policy Group (KLPG) would like to thank you for the opportunity to provide written testimony today. KLPG is a non-partisan, non-profit organization comprised of elected county commissioners representing the collective interests of 36 rural Kansas counties. We appreciate the opportunity to submit remarks in support of House Bill No. 2609.

The property tax lid adopted last session restricts the amount of property tax revenue a county can collect from year to year through a formula based on the inflation rate or a vote of the people.

House Bill No. 2609 does not change the fundamental intent of the 2015 legislative action. A formula to determine inflation is still used and the voters still have a role in the budget process.

House Bill No. 2609 does do several things. First, House Bill No. 2609 changes the measurement tool to calculate inflation adjustments from the Consumer Price Index for All Urban Consumers to the Municipal Cost Index. Second, House Bill No. 2609 would allow cities and counties to use their home rule powers to opt out of the election requirement contained in the 2015 law, unless at least 10% of the electors sign a petition calling for an election to approve the budget. And finally, the bill would not require a local election to approve a budget increase that includes additional property taxes for certain expenditures and assessments (exemption circumstances) generally outside the purview or control of local governments.

The Municipal Cost Index (MCI) is designed to show the effects of inflation on the cost of providing municipal services, not just consumer goods and household spending. The MCI is adjusted by changes in the cost of materials and supplies, wages, employee benefits, contract services, commodities purchased in bulk quantity and the construction contract costs that a government utilizes. In addition to the costs of labor, materials and contract services other major indicators are used to establish the MCI including the Consumer Price Index, the Wholesale Price Index for Industrial Commodities (now known as the Producer Price Index) and the construction cost indexes published by the U.S. Department of Commerce. The MCI is a more accurate reflection of the rate of inflation for municipal services and should be used to determine a local government's tax lid.

Locally elected officials are careful in determining local taxing and spending decisions for their community and provide extensive opportunities during the budget process for public to participate in the process and offer input. The ability to provide local electors with an opportunity to petition for an election when they feel the need to contest an expenditure instead of mandating a triggering mechanism for a vote will save communities valuable time and financial resources during the budget development process. If voters are continually called to the polls by a statutory triggering mechanism without an identifiable point of contention or focus to draw the voter's attention voters will be fatigued, turnout will decline and unintended and detrimental consequences could result. Should an automatic index triggered vote fail to pass, government officials will be provided no direction on the priority of budget items to the electorate only a tabulation of the votes indicating a desire to spend less, but less on what? Targeted petition voting will produce more communication and interaction between the voters and elected officials resulting better governance. It appears a majority of the requests for a tax lid and valuation concerns are coming from more populated communities, the Committee may want to consider exempting all counties under a certain size from the tax lid, unless the electors petition for vote to include themselves. This will permit communities conducting business in a manner acceptable to the residents to continue doing so without the additional costs associated with special elections.

The exemptions for very specific expenditures such as KPERS, KP&F, insurance costs and unfunded federal and state mandates are extremely important and allow local units of government the needed flexibility to meet financial requirements completely outside of their control. Principal and interest payments of certain structures and improvement projects serving to benefit the public should be exempted. Limiting growth of the tax base a result of expiration of participation in an incentive program for development is contrary to the fundamental purpose of granting such an incentive and should be excluded. A county's share of employee retirement contributions and employee benefit contributions are totally beyond the influence of local governments and a county has absolutely zero control over the timing and costs of disaster related expenses, these too should be exempted. Adding these types of provisions to the list of exempted circumstances allows for funding of efficient government operations and permits continued growth for the health of our communities.

Thank you for your consideration and the opportunity to present written testimony to the Committee. I urge you to support House Bill No. 2609.

Randy Braddock
President
Kansas Legislative Policy Group