



City of Dodge City

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To: Chairman Les Donovan, Senate Assessment and Taxation Committee

From: Joyce Warshaw, Mayor, City of Dodge City

Date: March 4, 2016

Subject: Written Testimony Opposing Senate Bill 316

Chairman Donovan and members of the Senate Assessment and Taxation Committee, thank you for the opportunity to provide written testimony today on behalf of the City of Dodge City in opposition to Senate Bill 316, which would take away many important exemptions and move up the Property Tax Lid legislation effective date to July 1, 2016.

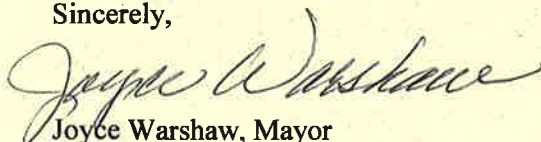
The City of Dodge City is deeply concerned with the proposed legislation that could have adverse effects on our economic growth, finances and local budget process. SB 316 eliminates exemptions including costs for new infrastructure or improvements, costs for road construction and new expenditures that are specifically mandated by federal and state law. Removing these exceptions will deter public investment into private and new developments, particularly those using public finance tools backed by the "full faith and credit of the City." If passed, this will result in additional cuts to economic development, specifically to new residential and retail growth. In order to engage in pro-growth activities, development projects sometimes require new street and/or infrastructure costs; however, these projects will not be possible without the exemptions.

Removing the exemptions to new expenditures mandated by state and federal law, would also be detrimental for our City. Federal and state mandates are outside of a City's control when it comes to natural disasters. Currently, Dodge City is mandated by the federal government to obtain a FEMA Levee Certification to protect Dodge City homes from flooding with an estimated cost of \$3.5 million. By removing this exemption, projects like this would be impossible to finance and our citizens would be forced to purchase flood insurance, further eroding positive growth in our economy.

Moving up the effective date of the legislation to this year is not feasible. The timing of the election would have to occur before the budget numbers are sent from the County to the State. Also, elections triggered by the tax lid would cost more \$10,000. This is clearly another expense which smaller communities cannot absorb. Moreover, the mechanics for such processes for implementation and elections are in are unclear and not in place.

It is for all of the above reasons that we strongly urge you to oppose Senate Bill 316, which includes the removal of several exemptions and moves the effective date for implementation of the property tax lid. 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,



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

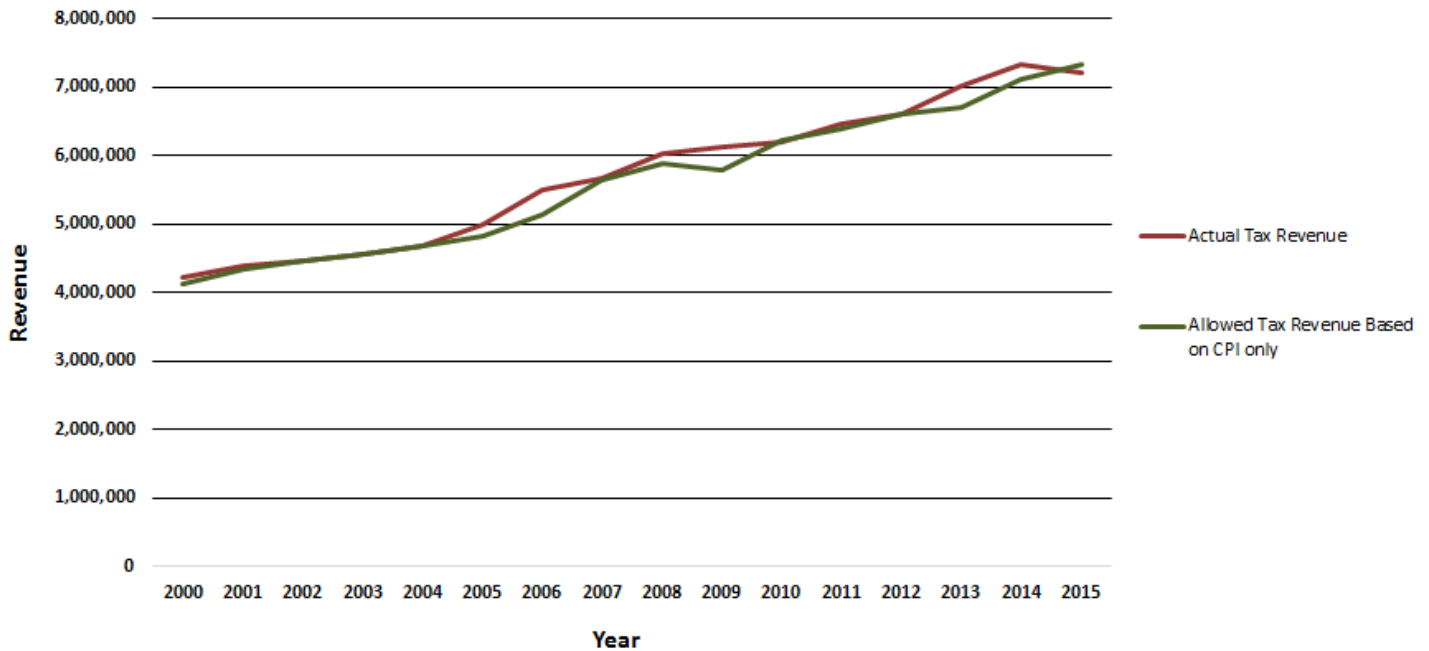


Table 1: Dodge City's Actual Property Tax Revenue without Exemptions

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