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Senate Committee on Assessment and Taxation
Hearing on SB 316
March 4, 2016
Statement by the City of Overland Park

Good afternoon Chairman Donovan and members of the Senate Committee on Assessment and Taxation.

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

The City of Overland Park opposes SB 316, which would move up the effective date of the current law (SB2109) and also eliminates several exemptions in the current law used in calculating the growth in property tax revenue allowable to the City.

First, we are still opposed to the general framework of the existing law under the premise that Kansas cities and counties have been given the 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 rapid 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 and SB 316 are 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 in the early part of the last decade. That State action resulted in an approximate loss of $26 million in property tax revenue through 2015.

Both the current law and SB 316 rely 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 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 roads. Those inflationary costs are the real metrics in the cost of providing essential public services. As an example, in 1999 the average cost to build one mile of city thoroughfare was $2.91M; in 2015 the average cost was $5.15M, this is an increase of 77%.

Based on the above we do not support the use of CPI as an inflationary metric and would prefer a more meaningful and relevant metric or formula.

The current law and SB 316 are 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 and SB 316 this 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 we oppose the current law and SB 316 we understand that the current law is in place and will be effective in January 2018. We ask you to keep the effective date in the current law as it is. The City operates under a five-year financial planning cycle and the time is absolutely necessary for the City to make adjustments in anticipation of the potential reduction in property tax revenue.

We support keeping the following exemptions in the current law, which SB 316 proposes to eliminate. Those exemptions are: (1) Increases in road construction costs: (2) judgments levied and expenses for legal counsel and defense; and (3) expenditures for unfunded federal and state mandates;

Finally, we ask that you consider the addition of these exemptions: (1) employer contributions for social security, workers compensation, unemployment insurance, health care costs and retirement and pension programs; (2) expenses related to a natural disaster or emergency; (3) essential services such as law enforcement, mental health services, and emergency services; and (4) municipal/district court costs.

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

Respectfully submitted,

Carl Gerlach

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Mayor