Senate Assessment and Taxation Committee

Testimony in Opposition to Senate Bill 316
Ed Eilert, Chairman, Johnson County
Board of County Commissioners

March 9, 2016

Chairman Donovan and Members of the Committee,

I am here today in opposition to Senate Bill 316. We do not support the movement of the implementation date from 2018 to 2016 and we oppose the elimination of any of the existing exemptions in current law.

Johnson County opposes the tax lid passed during the 2015 legislative session. Last year, had there been a public hearing on the bill, I would have appeared in opposition. We do not believe such a tax lid is necessary and erodes the authority of elected local government officials to govern our communities in an ever changing political and economic environment. For years, Johnson County Government has demonstrated restrained local property tax growth by taking publically recorded votes following public hearings and public input in our budget process…and if we got it wrong, voters have been more than willing to 'show us the door' at the next election.

Allow me to discuss three issues and their impact on Johnson County and the State of Kansas contained in the current tax lid and will be exacerbated by the language in Senate Bill 316.

First, eliminating the exemptions in the current law will significantly reduce the efficient and realistic operations of local government. Senate Bill 316 eliminates exemptions and does not even consider exemptions that reflected the state law in place in the 1990's when the last State tax lid was in place and which provided the opportunity for a solid foundation to maintain essential public safety, governmental, and social safety net services demanded by our local residents.

Second, the current tax lid and elimination of exemptions as outlined in Senate Bill 316 will severely limit the ability for local governments to be timely, flexible, and targeted in securing economic development opportunities. In Johnson County, had a tax lid without exemptions been in place, we would have been severely limited in our ability to contribute $13 million in road improvements to help attract the Burlington Northern Santa Fe Intermodal facility. In the future, a tax lid without exemptions will limit our ability to partner with other Johnson County Cities on many levels including our County Assisted Roads System (CARS) program, which provides basic maintenance to major road corridors, a key in attracting and retaining businesses in our region. A tax lid without exemptions will limit our ability to invest in quality of life amenities such as Parks and Libraries, an increasing factor in attracting and retaining businesses. A tax lid without exemptions will limit our ability to support the non-traditional economic development efforts such as the "Enterprise Center of Johnson County", a successful business incubator in the region providing strong job growth returns on investment and spurring entrepreneurial activities including the Women's Business Network and the Angel Investors program.

Third, the current tax lid and the elimination of exemptions as outlined in Senate Bill 316 removes the flexibility needed to offset the large reductions in dollars to local Cities and Counties by virtue of changes in State policy. There is a correlation between reduced state funding to local units of government and local property tax increases over the last few years. In Johnson County, reduced state funding or limitations on local revenue are significant.

- LAVTRF $88.7 million lost revenue between 2003-15.
- City County Revenue Sharing $51.8 million lost between 2003-15.
- Machinery and Equipment changes, lost revenue of $100 million between 2008-16.
- Mortgage Registration Fee (Including the new recording fee revenue) $48 million projected lost revenue between 2015-18.
    - <u>Total Lost Revenue</u> between 2003-2018 is $288.5 million.

It should be noted that during this time of reduced revenue, Johnson County grew by 104,000 new residents between 2003 and 2016.

Property taxes raised locally are the only available option to fill these revenue holes since Johnson County is 'maxed out' on sales tax authority for general government. Despite this loss of revenue, our mill levy between 2003 and 2016 for general government has increased only 3.3 mills…from 16.2 to 19.5 mills and is still the lowest mill levy of all 105 Kansas Counties.

We respect the authority you have as state elected officials to make taxing decisions without the added oversight or costs of holding a public vote. We simply ask that you to respect our authority as locally elected official to do the same. Like you, we are directly answerable to the voters, citizens, and taxpayers in our community. Cities and counties across this state work hard to provide our taxpayers economic opportunity and quality services. Senate Bill 316 will cripple those efforts to the detriment of our communities and the State of Kansas. As a result, we urge you to reject Senate Bill 316.

Thank you and I am happy to stand for questions at the appropriate time.