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March 3, 2016

Chairman Marvin KleeB, House Taxation Committee

Re: Written Testimony Supporting HB 2609

Honorable Representative KleeB and Members of the House Taxation Committee,

Enclosed you will find written testimony from the City of Augusta, Kansas supporting HB 2609. The current property tax lid law is an unwarranted state intervention into local affairs. The tax lid threatens to have a destabilizing impact on our community's economic growth because the artificial limit (CPI) the tax lid imposes on cities has no direct correlation to service and infrastructure needs within our community. We are on the front end of millions of dollars in major construction projects and our financial advisors have indicated that the tax lid will likely raise our borrowing costs and impact our city bond ratings. The Senate side of the legislature is considering a bill to accelerate implementation of this damaging legislation and remove the common-sense exceptions. This is not only a solution in search of a problem, but also a direct attack on the economic well-being of our community and other communities across the state of Kansas. For this reason, we are submitting testimony in support of HB 2609 allowing cities to opt out of election requirements related to property taxes.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Childers', with a long horizontal line extending to the right.

Matt C. Childers
Mayor
City of Augusta, KS

Property Tax Lid for Cities in the State of Kansas



Property Tax Lid

In 2015, the legislature enacted HB 2142 placing a restriction on local governing bodies starting January 1, 2018. Under this bill cities cannot increase property taxes more than the consumer price index unless approved by a special election. The bill does allow for certain common-sense exceptions to the “tax lid” related to infrastructure improvements, debt service (bonds), new construction, and various other items. Currently SB 316 is filed in the 2016 session to remove certain exceptions and push up the implementation date to July 2016. The City of Augusta sees these bills as an unnecessary intrusion into the local affairs of our community.

Augusta, KS Tax Policy

Since 1999, the City of Augusta worked hard to keep level or decrease the mill levy while maintaining, and in some cases, expanding or improving core public services to accommodate growth within our community. In fact, as part of our annual goal setting session for the city budget, the City Council consistently lists [minimizing property taxes as a top priority](#); however, we are willing to consider increases for essential services and infrastructure improvements.

The cumulative change in Augusta’s mill levy from 1999 to 2016 was 23.5%. In that same time period, the consumer price index (CPI-U) increased by 42.2%, which means that the City’s mill levy adjustments have trended significantly below CPI. In 1999, the median home value was \$78,100 and had an annual city property tax liability of \$313. In 2016, the median home value is estimated at \$101,300 and has an annual city property tax liability of \$501. This \$176 annual difference equates to \$14.62 per month.

From 1999 to 2016 the city’s mill levy was reduced seven (7) times compared to the previous year, which illustrates the locally-elected governing body’s commitment to low property taxes. At the same time, this demonstrates the resourceful problem solving our city officials exercise to keep taxes low but still tackle the infrastructure and service needs our community faces in any given year.

Budget Year	Mill Levy	% Change
1999	34.84	
2000	36.28	4.1%
2001	42.28	16.6%
2002	42.87	1.4%
2003	41.76	-2.6%
2004	41.39	-0.9%
2005	41.23	-0.4%
2006	41.40	0.4%
2007	37.53	-9.3%
2008	37.46	-0.2%
2009	39.55	5.6%
2010	38.81	-1.9%
2011	39.71	2.3%
2012	39.83	0.3%
2013	41.15	3.3%
2014	41.78	1.5%
2015	44.62	6.8%
2016	43.04	-3.5%
Cumulative Change		23.5%

NOTABLE MILL LEVY CHANGES:

2000 - 2001 (16.6%)

Special assessments for new residential subdivisions

2006 – 2007 (-9.3%)

Local Sales Tax for streets and property tax reduction passed

2008 – 2009 (5.6%)

Added HR Director position

2012 – 2013 (3.3%)

Debt service (bonds) for Spillway/Dam Project

2014 – 2015 (6.8%)

Debt service (bonds) for Corps Levee Project

2015 – 2016 (-3.5%)

Cash reserves used to pay debt service instead of property taxes

Major projects over this period of time include:

- \$6.7 million Corps Levee Project to raise flood protection from 100-yr to 500-yr (required for levee accreditation)
- \$1.7 million to rehabilitate state-designated City Lake high hazard dam/spillway (state mandate)
- \$2.0 million for Streetscape Enhancements in Downtown Augusta
- \$800,000 for Kelly/Ohio Intersection Project to fix alignment and safety issues
- Maintenance, overlays, and reconstruction of 11 miles of streets within the community
- Runway, taxiway, and other airport improvements that have grown Augusta Municipal Airport to the third largest general aviation airport in Kansas (outside of commercial service airports) with 114 based aircraft
- \$3.6 million South Ohio Project scheduled for 2016 (paid for without issuing debt)



ABOVE: Corps Levee Project – 500-yr Flood Protection

State Tax Policy Impacts

During the time period 1999-2016, the State regularly modified tax laws and reduced income to local governments. These changes resulted in a direct and significant impact to the mill levy in Augusta.



<i>State Mill Levy Impacts</i>	1999	2016
City Mills Levied	34.84	43.04
M&E and other exemptions (mills equiv.)*		2.21*
LAVTR (mills equiv.)		1.41
Mandated Project (Spillway/Dam Bonds)		1.16
State Mill Levy Impact		4.78

Almost all planes based within Butler County and at our municipal airport have been exempted from the tax rolls. The taxable rate for boats was decreased from 30% down to 5%. In 2006, the legislature passed laws to exempt Machinery and Equipment (M&E) from property taxation. As a

consequence of these various [property tax exemptions](#), the City's assessed valuation on personal property declined by 59.4% since 2006, which is the equivalent of 2.21 mills.

<i>M&E & Other Tax Exemptions*</i>	2006	2016
City Mills Levied	34.84	43.04
Personal Property Assessed Value	4,701,460	1,908,649
Assessed Valuation % Impact		-59.4%
Mill Levy Impact		2.21*

In addition to tax exemptions, the State also reneged on revenue sharing with municipalities through the [Local Ad Valorem Property Tax Reduction Fund \(LAVTRF\)](#) that used to provide dollar for dollar property tax reduction from the mid-1960s to 1991. Statutorily, the State is supposed to transfer 3.63% of State sales and use taxes back to municipalities on a proportionate basis. The LAVTR has not been fully funded since 1991 and the State has not provided any funding whatsoever since 2003. Lost revenue sharing from the LAVTR resulted in the equivalent of a 1.41 mill levy impact in 2016.

Another example in which State policy has affected Augusta is **mandated projects**. Despite there being no noteworthy structural deficiencies to a spillway structure that had been in place since the 1930s, a calculation by the State of Kansas Division of Water Resources relating to the “Probable Maximum Precipitation” (PMP) event led to our Augusta City Lake spillway/dam being declared a High Hazard Dam. The City was directed by DWR to address the inadequate spillway capacity, which ultimately culminated in a \$1.7 million construction project financed with debt to the tune of 1.16 mills per year.



ABOVE: Augusta City Lake Spillway/Dam Project

Conclusion

The narrative being presented in Topeka about local governments riding the wave of increased property valuations to prosperity does not align with reality when tax data is examined in context.

Yes, Augusta’s assessed valuation increased 72% since 1999, but over 58% of that increase was from new construction—not out-of-control reappraisals. Yes, the mill levy grew by 23.5% since 1999, but over 58% of that change can be traced to policy decisions made at the State level outside of our control; even so, mill levy growth is well below the CPI change over the same period. Yes, total property tax collections have increased, but much of that increase pays for infrastructure costs and core services to sustain the growing population (10% growth since 2000) and development that is indicative of a healthy, thriving city.

Our local elected officials are keenly aware of the impact property tax policy has on our community’s citizens. We evaluate that impact within the context of our infrastructure needs and core public services on a daily basis. That is our job as stewards of our community—we do not need the legislature’s assistance in this regard.

Year	Mill Levy	% Growth	Assessed Valuation	% Growth	AV from New Construction
1999	34.84	-	\$31,612,430	-	-
2000	36.276	4.1%	\$33,605,074	6.3%	\$709,193
2001	42.283	16.6%	\$37,046,640	10.2%	\$856,241
2002	42.866	1.4%	\$39,991,486	7.9%	\$885,418
2003	41.756	-2.6%	\$41,293,610	3.3%	\$721,320
2004	41.39	-0.9%	\$41,266,853	-0.1%	\$420,387
2005	41.233	-0.4%	\$44,430,082	7.7%	\$985,885
2006	41.402	0.4%	\$45,725,111	2.9%	\$734,167
2007	37.532	-9.3%	\$49,426,498	8.1%	\$1,097,323
2008	37.464	-0.2%	\$51,442,254	4.1%	\$685,022
2009	39.552	5.6%	\$52,810,497	2.7%	\$968,105
2010	38.805	-1.9%	\$53,276,723	0.9%	\$1,094,361
2011	39.71	2.3%	\$53,358,478	0.2%	\$518,513
2012	39.83	0.3%	\$52,985,121	-0.7%	\$270,323
2013	41.15	3.3%	\$52,951,658	-0.1%	\$361,259
2014	41.78	1.5%	\$52,859,074	-0.2%	\$449,950
2015	44.62	6.8%	\$54,091,035	2.3%	\$2,163,258
2016	43.043	-3.5%	\$54,361,149	0.5%	\$276,979
		23.5%		72.0%	

The City of Augusta **OPPOSES SB 316, or any proposed bill that accelerates the tax lid implementation timeline or removes any exemptions included in the 2015 law.**

The City of Augusta **SUPPORTS HB 2609 assuring cities’ home rule authority to opt out of the election provision and requiring a petition from electors for an election to be called.**