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March 4, 2016

Chairman Marvin Kleeb
House Taxation Committee

RE: Written Testimony Supporting HB 2609

Honorable Chairman Kleeb,

On behalf of the residents of Hays and the Hays City Commission, we offer our support for HB 2609. Hays is a growing community. We feel the adopted property tax lid legislation will make it difficult for the costs associated with new growth to be supported with revenues created by that growth. As a result, services and infrastructure for all residents will suffer. In addition, we oppose the property tax lid for the following reasons:

- **The Timeline for an Election is Unworkable.** While many cities begin the budget process early in the calendar year, no "hard" numbers can be put together until a city receives its valuation estimates from the county clerk on July 1. Under this bill, cities would have to finalize their budgets by June 1 to have the proposed increase on the August ballot. Opponents argue a city could finalize its budget before it receives valuations, but that means citizens will not be fully informed of the taxes assessed to their property at the time a city holds hearings on the budget. Conducting a hearing and approving a budget before valuations are received on July 1 is impractical, unfair, and misleading to citizens who will not know how the budget affects their taxes.
- **Cities' Budgets will be determined by Out-of-Date Data and Pool Metrics.** Structuring a tax lid around the CPI for all urban consumers is not a realistic assessment. Cities do not purchase the same items urban consumers purchase. The CPI for all urban consumers gauges increases in food, apparel, rent, etc. Cities purchase items such as asphalt, snow plows, police cars, personnel services and health care, which require a different metric. Rates of inflation for these items are much different than a consumer "basket of goods." In addition, cities would have to base their budgets off of outdated measurements. Under this bill, for example, cities would be required to use the 2015 CPI to calculate their 2017 budgets.
- **The Bill Erodes Our Representative Democracy.** Citizens elect mayors, councilmembers, and commissioners to make decisions for their city, including passing a budget that meets the community's needs. Removing the taxing 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.
- **Property Tax Lids Create Uncertainty for Programs and are Not Business Friendly.** Requiring citizens to vote creates an uncertainty for programs and businesses, which in turn suppresses growth. Many developers have expressed a concern that the property tax lid will negatively

affect economic development because of the uncertainty of whether the infrastructure required to support new growth will be available.

- **Cities' Bond Ratings will Face Downgrades.** Bond counsels are advising cities that their bond ratings will likely be downgraded if the state imposes a property tax lid. If a downgrade occurs, cities may have to spend more taxpayer money when incurring debt for large projects.

HB 2609 would add the following exemptions including:

- The principal and interest on state infrastructure loans, bonds, temporary notes and no-fund warrants, payments made to a public building commission and lease payments; expenses for law enforcement services, emergency medical services, mental health services, securing or retaining industries, and economic development programs; and
- Employer contributions for Social Security, workers compensation, unemployment insurance, health care costs, and
- Employee retirement and pension programs are important to cities and counties. These exemptions will give municipalities the flexibility to react to the needs of its tax payers.

It is for all of the above reasons that we strongly urge you to support House Bill 2609 which includes changing the instrument to measure inflation, changing the requirements for triggering an election to increase the ad valorem tax, and adding exemptions in calculating the increase of ad valorem tax. Thank you for your consideration.

Sincerely,

Eber Phelps

Eber Phelps
Mayor