Lenexa Chamber of Commerce

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TO: Rep. Marvin Kleeb, Chair
Members, House Tax Committee

FROM: Ashley Sherard, Vice President
Lenexa Chamber of Commerce

DATE: March 9, 2016

RE: HB 2609 – Revisions to Local Property Tax Lid/Public Vote Requirement Legislation

The Lenexa Chamber of Commerce appreciates the opportunity to share its support for HB 2609, which proposes several improvements to the legislation passed last year enacting a local budget public vote requirement.

We strongly disagree that the underlying legislation imposing a tax lid is either necessary or advisable.

- <u>The statistics being cited to justify the need for a lid are misleading</u>. Supporters of a lid primarily cite a 119% increase in total property tax revenues collected by Kansas cities and counties from 1997 to 2014. What is **not** being shared is that "total amount of property tax revenues collected" includes all *new* construction coming onto the tax rolls – *something lawmakers have worked hard to encourage that also increases demand for government services.*

  In addition, "total amount of property tax revenues collected" includes increased revenues due to new improvements to property, new and improved personal property, new territory through annexation, property coming off of abatement (such as the Sprint Campus), property that has changed use to a higher tax classification (like from agricultural to residential/commercial), and population growth. *Increased collections does not directly equate to increased burden.*

  It must also be recognized that since 1997 state action has significantly impacted local budgets and property taxes, including ending most state/local revenue sharing, repealing local revenue sources (such as exempting commercial machinery and equipment), and shifting responsibilities from the state to the local level.
- <u>Citizens already have an opportunity to vote, and local officials already are accountable.</u> Citizens vote to elect local officials to represent their interests on tax and budget issues the same as they do state and federal officials – and if citizens don't believe those officials are striking an appropriate balance between taxes and community needs, they can vote them out of office.

  Local citizen satisfaction surveys, however, conducted biennially by outside third parties in many cities, reflect a high level of satisfaction with the value received for local taxes/fees paid – in Lenexa, for example, the citizen satisfaction survey conducted in late 2015 revealed 77% of respondents were either satisfied or very satisfied with the overall value received for city taxes and fees paid (another 17% were neutral) – compared to a 44% average in the KC metro and a 48% average for the U.S. – with only 6% of respondents either dissatisfied or very dissatisfied.

Supporters of a lid may counter that if citizens are indeed satisfied with their local governments, then what's the harm in holding an election – *but holding elections costs money, there is no lid exemption for those costs, and local governments are already stretching limited financial resources.*

- A property tax lid will ultimately be more harmful to communities than beneficial because it creates uncertainty and can deter or delay important service and infrastructure investments.

  Population growth, non-discretionary costs that exceed inflation (such as health care and utilities), and increases in mandated spending can leave little left over to invest in other important programs and services, such as public works, transportation, public safety, and amenities like parks, and voters may not support funding for services or infrastructure they do not view as specifically and directly benefiting them, even if it is necessary for the greater good.

  For that reason, property tax lids create budget uncertainty that is not attractive to business-- developers, brokers, local realtors, and businesses have expressed concern that a property tax lid will negatively impact economic development because of the uncertainty whether infrastructure and services needed to attract and support new growth and maintain existing communities will be available.

  In addition, budget uncertainty means local government bond ratings may face downgrades, which would increase taxpayer costs. Bond attorneys and municipal financial officers have advised that local government bond ratings may be downgraded if a property tax lid is imposed – if a downgrade occurs, local governments may have to spend more taxpayer money when financing large projects.

- A local property tax lid represents a double-standard. The State will continue to benefit unrestricted from valuation increases above the CPI through both the 1.5 mills it levies to support state buildings and the 20 mills levied for K-12 education (the more 20 mills raises locally, the less the state must fund), and no state tax increases are subject to a public vote.

For these reasons, we advocate repeal of last year's legislation, but in the alternative *we believe HB 2609 proposes several improvements that will make the policy more workable and practical*, including replacing the election requirement with election by petition, changing the metric from "CPI for urban consumers" to the more comparable Municipal Cost Index, and adding and clarifying several exemptions. *HB 2609 also maintains the effective date that was negotiated, agreed to, and approved last session, which we believe should be respected.*

Again, we would encourage your support for the improvements to last year's legislation put forth in HB 2609. Thank you for your consideration of our input.