March 7, 2016

Chairman Donovan, and members of the Senate Committee on Assessment and Taxation, thank you for the opportunity to submit testimony on behalf of the Kansas Building Industry Association (KBIA) in opposition to SB 316. KBIA is an affiliate of the National Association of Home Builders and with eight local home builder associations and more than 2,000 members across the State of Kansas. My name is Terry Robinson, I am the owner of Robinson Building Corporation and I am the current board President of the Kansas Building Industry Association.

SB 316 would accelerate the implementation of the property tax lid enacted as part of last year's tax debate and would also remove what we believe are critical exceptions to the public election requirement in the current law. As members of the residential homebuilding community we understand the impact of property tax rates and we do not take increased tax burdens lightly. Howeve,r we also recognize the necessity of cities and counties to develop the infrastructure necessary to keep their communities strong and prosperous.

We did not have the opportunity to testify on last year's tax lid but we did feel there were a number of necessary exemptions placed into the law that would allow a city to continue to grow in an orderly manner. It provided time to allow cities and regulated entities to digest and understand the mechanics of this new tax lid by delaying the election requirement until January of 2018. SB 316 would not only accelerate implementation of the new election system by 18 months, but it also strikes four of the eight exemptions provided in last year's law. These are major changes to a law that has not even been fully implemented yet and are a large part of the reason we oppose SB 316.

While none of the exemptions being deleted directly impact the residential homebuilding industry we do believe they impact the ability of a municipality to attract and meet the needs of new industry or businesses. Striking the allowance for infrastructure to serve exempt property (churches, schools, hospitals, etc.) is particularly troubling. These types of entities are often the cornerstone of Kansas communities. These facilities, as well as local roads and other transportation infrastructure, play a critical role in providing services to local citizens and are widely considered by businesses as they choose where to locate or expand their facilities. We are also in an era of increased federal and state mandates that are placing downward pressure on local community revenues. These mandates, often unpopular with local citizens, could make it very difficult to pass a local election raising tax rates for this purpose. If this election were to fail, then fulfilling the mandate could actually result in the loss of local funding for other critical programs as dollars must be shifted to fulfill the mandate. In the alternative, if the taxing entity needs to raise additional revenue we believe the tax lid will likely result in a shift of the funding burden from broad based property taxes to increased fees and registrations on individual businesses within their jurisdiction as an alternative source of funding. Increased licensure requirements, like rental licensure, or increased development fees as a requirement of new platting and zoning approvals could increase exponentially.

If the exemptions for roads and critical infrastructure for non-profits are eliminated, it is likely to result in a direct cost increases on new residential development. The cost for new roads, sewers, and utilities for these schools, churches, and hospital will likely become the responsibility of new nearby residential developments through increased valuations on new construction and in addition to increased development fees. Because revenue from new construction remains exempt from the tax lid it becomes one of the few ways for municipalities to raise the revenue needed to support these critical infrastructure needs. This residential cost increase will slow growth by pricing many families out of the market for a new home.

In conclusion, KBIA considers a reasonable property tax burden to provide necessary community services an essential public policy goal. However, SB 316 strikes key exemptions to the property tax lid limiting the ability of local communities to provide critical infrastructure necessary for the orderly growth so important to the future of our state. For these reasons we <u>oppose</u> SB 316 and we ask that the committee oppose it as well.

Thank you for your time and I will stand for questions at the appropriate time.

Sincerely,

Terry Robinson, President
Kansas Building Industry Association