



Chanute
a TRADITION of INNOVATION

March 02, 2016

Chairman Les Donovan
Senate Assessment and Taxation Committee
300 SW 10th Street, Room 123-E
Topeka, KS 66612-1504

Re: SB 316- Opposed

Dear Senator Donovan:

Many smaller, full service cities in Kansas are already operating responsibly with disproportionately low property taxes when compared with other similar sized cities within the region. Our local elected officials are sensitive to these issues and have a history of being accountable to their local constituents.

In full-service cities, general fund operations are almost always subsidized by utility revenue streams. By keeping taxes low, we can more readily recruit out-of-state businesses while maintaining utility rates that are similar to other regional utility providers. Nevertheless, having the ability to occasionally modify our local tax revenue allows us to accommodate unpredictable energy markets and other unexpected short term situations when they arise. In the absence of this taxing flexibility, cities are more prone to hoard cash and defer necessary reinvestment in municipal infrastructure along with other service retractions. As you surely know, we continually face cost escalations that are not accounted for under the proposed index.

I fear that the current proposal under SB 316 will greatly hinder Chanute and other cities that are already reasonably managing their local tax burden. At best, it will curb a few cities from increasing taxes. At worst, it will hinder out-of-state recruitment, especially during periods when volatility is preset in the energy market. In short, it's hard for border cities to recruit business when the utility rates are making up for lack of other tax based revenues; which is a forewarn conclusion of SB 316.

Sincerely,

Jeff Cantrell
City Manager