

Matt Childers
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March 3, 2016

Chairman Les Donovan, Senate Assessment and Taxation Committee

Re: Written Testimony Opposing SB 316

Honorable Senator Donovan and Members of the Senate Assessment and Taxation Committee,

Enclosed you will find written opposition testimony from the City of Augusta, Kansas to proposed tax lid legislation (SB 316). This bill 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. Accelerating implementation of this damaging legislation and removing the common-sense exceptions 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.

Sincerely,

Matt C. Childers
Mayor
City of Augusta, KS

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.



State Mill Levy Impacts

	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.

M&E & Other Tax Exemptions*

	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.