

Date: March 14, 2017

To: Chairman Steven Johnson and House Taxation Committee

From: Gregory A. DuMars, City Administrator, City of Lindsborg

RE: Written Testimony in Support of HB 2376

Chairman Johnson and House Taxation Committee Members:

My name is Gregory DuMars and I serve as the City Administrator for the City of Lindsborg. I am submitting written testimony in support of HB 2376 on behalf of Mayor Taylor and Lindsborg City Council.

The current law requires an election anytime property tax revenues exceed a 5-year formulaic CPI average. This requires the city to pay for a mandated election when it is not necessary. To illustrate... in 2014, the City of Lindsborg conducted a community survey to assess the services and needs of the community. One of the top 3 citizen priorities identified in the survey was street maintenance. With the loss of demand transfers and the implementation of the machinery and equipment exemption, the impact has been a loss of an estimated \$250,000 annually, or approximately 11.36 mills. This revenue loss translated into a reduction in the level of street maintenance. This reduction in the level of street maintenance was not acceptable to the citizens of the community. This was clearly identified in the survey as street maintenance was reflected as a top priority. With the survey data in hand, City Council engaged an engineering firm in 2015 to develop a 20 Year Street Maintenance Program to enhance the annual level of street maintenance. The 20-year program was adopted and in 2016 an additional \$80,000 increase in property tax revenue was approved... a 9.24% increase. But a community need was identified, met and funded. This is how local government operates.

If the above example were to occur under today's statutory budget construct, an election would have been mandated because the amount of revenue exceeded the 1.4% CPI lid; even though it met the identified needs and demands of Lindsborg's citizens. The passage of HB 2376 would not require an election but will still provide a vehicle for an election on a revenue increase beyond the average CPI.

Under K.S.A. 79-2925c, a mandated election is at the expense of the local government. For Lindsborg, this unfunded election mandate would cost \$3,930 for a polling booth election or \$3,321.00 for a mail-in ballot election. Lindsborg has 1,792 registered voters, so a polling booth election would cost \$2.19 per registered voter and a mail-in ballot election would cost \$1.85 per voter.

Another challenge of K.S.A. 79-2925c is the use of the Consumer Price Index as a benchmark for the cost of providing governmental services. Per the Bureau of Labor Statistics, "The

Consumer Price Indexes (CPI) program produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.” In other words, it measures changes in the price level of a market basket of consumer goods and services purchased by households. The items that the CPI reviews for the development of the index include food and beverages, housing, apparel, transportation, medical care, recreation, and education and communication. These are not the goods and services that local governments purchase to provide services to their communities. These goods and services include asphalt; concrete; heavy equipment such as snow plows, graders, street sweepers; engineering services; software and hardware services; and consultant services. The costs of these items are not reflected in the CPI. There are other factors that drive the cost of the annual budget which include healthcare and KPERS. Both of these expenses are not controllable by the local government.

According to the Millman Medical Index (MMI), the 4.7% increase for 2016 was the lowest annual increase since the MMI was first measured in 2001. The largest driver of these healthcare increases is prescription drugs. The prescription drug cost increased 14% in 2016, a cost with no ability to manage at the local level. Add in the required percentage match by the employer under the KPERS program and a city has costs which it has no control. Since local government employees wages are typically lower than what is offered in the private sector, employee benefits have been used as a recruitment and retention tool. But the cost pressure of a cap means that more of the cost of providing benefits will be transferred to the employee through a higher cost share in health insurance and reducing the number of employees in the city workforce.

The City of Lindsborg prudently manages the financial resources in serving the needs of its citizens. HB 2376 would eliminate the need for a mandatory election, but would still provide the electors of the community a vehicle through a protest petition to require an election when the property tax revenue exceeds the 5-year average CPI.

I urge you to support House Bill 2376 and ask that you report it favorably for passage.
Thank you for your consideration.