CITY OF Russell

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Date: May 9, 2017

To: Chairman Steven Johnson and the House Taxation Committee Members

From: Jon Quinday, City Manager

Re: Written Testimony in Support of HB 2424

Dear Chairman Johnson and Committee Members,

The governing body of the City of Russell has been, and continues to be, mindful of property tax burdens by making good decisions for their city, including passing a budget that meets the community's needs and values. Each year the governing body must weigh competing costs and benefits when it adopts the budget it believes is in Russell's best interests even in the absence of the Local Ad Valorem Tax Reduction (LAVTR) and County City Revenue Sharing (CCRS) programs. Over the past 13 years the legislature failed to fund $1,068,557,147 owed to cities and counties through the LATVR program determined by 3.63% of total state sales and use taxes. Additionally, in 2006, the Kansas Legislature exempted new machinery and equipment from property taxation. Knowing this would have a negative impact on local budgets; partial reinstatement of the LAVTR fund was included in the final bill. LAVTR payments were not received. CCRS payments totaling $870,922,286 were not received during the same time period. However, costs to serve our community continue to rise; employee health care, road maintenance and replacement, and equipment to name a few.

KSA 79-2925(c), commonly referred to as the Property Tax Lid, caps cities and counties ability to raise property tax revenue up to 1.4% in their 2018 budget plus limited exceptions without a vote by the public. The election provisions – August primary election, November general election, special election, or mail-in ballot – are at the city's expense and the ability to inform the public of the need for an increase may be blurred or even lost in the partisan politics that can be associated with primary and general elections.

To put the 1.4% cap into perspective, for illustration purposes only, assume a 2017 budget year ad valorem tax levy in the amount of $1,735,490 the city will be limited to an additional $24,297 in revenue for the 2018 budget year. We've already been notified our property and liability insurance premium for 2018 will increase by $20,000, leaving $4,297 for additional increases. KSA 879-2626(c) does list certain exemptions, one of which is not personnel benefits. Personnel benefits are the largest portion of our general fund and include health care costs, workers compensation and retirement programs, all of which the city has very little control over. The 1.4% cap does little to account for the fluctuation in personnel benefit costs – health care, workers compensation, and retirement programs. In the past six years, the City of Russell has seen a 14% increase in personnel benefit costs.

As we move forward, the Legislature is faced with difficult decisions and long hours of debate. I applaud those who work so hard to come up with solutions and represent their communities' values. I urge the Legislature to support HB 2424 adding an exemption to KSA 79-2925 for increases in employer contributions to social security, workers compensation, unemployment insurance, health-care costs, and retirement programs (KPERS).