

City of Paola, Kansas

March 14, 2017

Chair Caryn Tyson and the Senate Assessment and Taxation Committee
Kansas State Capitol Building – Room 548-S
310 SW 10th Street
Topeka, KS 66612

RE: Written Testimony in Support of Senate Bill No. 167

Chairperson Tyson and Committee Members:

We are submitting this letter in support of Senate Bill No. 167, which would amend and repeal existing property tax lid provisions that are applicable to cities and counties. It is our belief, after months of review and discussion, the current property tax lid as written and interpreted is unworkable, creates undue expenses for elections, and provides an unrealistic lid based on the Consumer Price Index of all urban consumers. A lid that is not a true measure of municipal activities or costs and fails to realize the financial operational and budgetary needs of cities and counties. Further, we believe it erodes the ability of the governing bodies of cities and counties to perform one of the major duties governing bodies are elected to carry out – the development and passage of a budget that meets the needs and desires of the citizens they were elected to represent.

As you consider Senate Bill No. 167, we would ask you to keep in mind that cities and counties deal with a multitude of situations, provide a diverse range of services, and are subject to the same inflationary costs as state government. Our annual budgets are affected by increasing equipment costs, increasing labor costs such as salaries and benefits which must be competitive with the private sector so we can hire and retain qualified employees with specialized skills, and increasing public demand for services and improvements to the quality of life of our community. Also, we would ask that you consider the uncertainty brought about by the current tax lid provisions. How does an existing business or a perspective new business gage the viability of making a financial investment in a community when uncertainty exists as to whether a budget meeting the basic needs of a community can be adopted without being held hostage to a special election? Further, we would ask you to think about what has happened to the bond rating of the State of Kansas due to the uncertainty and the instability of the state budget. We don't believe that you would want that same situation for your "constituents back home".



On a local note, the Governing Body of the City of Paola has worked very hard year in and year out to develop and pass conservative but fiscally responsible budgets. We have tried to control discretionary costs where possible and to mitigate and limit those costs, such as health insurance and retirement, which are not totally discretionary. We struggled through the financial crisis of 2007 thru 2014 while maintaining a sound budget with minimal to no increases in our mill levy by using cash reserves (which are now at less than desirable levels), eliminating positions, significantly reducing our capital improvement program, and cutting equipment and machinery expenses. We truly believe we have been fiscally responsible and believe that we know how to best manage the needs and operations of our community and we reject the idea of a few that elected local governmental officials have “run up the property tax bill”.

As we have reviewed the potential impacts of the current property tax lid law, we have come to see that it will severely limit our ability to grow, to be competitive in a very competitive market, and will add costs to our operations. Consider for instance, that under the current tax lid CPI formula, the City of Paola for the current budget year would only have been able to generate less than \$28,000 for all funds while our costs for KPERS, unemployment taxes, FICA, health insurance, and utilities increased by more than \$80,000. Unfortunately, to meet those increased costs of operations, under the current law, the city would have to have held a special election (adding more costs), frozen wages, and eliminated at least some jobs. The special election costs to the city would have been at least \$4,000 for a “ballot booth” or as high as \$20,000 for a mail ballot election.

As the Governing Body of the City of Paola, we would ask that you carefully review Senate Bill No. 167, listen to your fellow elected officials and your partners who are serving in local government throughout this state, and act favorably on our behalf by forwarding the bill onto the full senate for consideration and a vote.

Thank you for your hard work and your consideration of our concerns.

Sincerely,

Artie Stuteville, Mayor Leigh House, Council President, Aaron Nickelson, Council Vice President, Council Member GeeGee Wilhoite, and Council Member Jim Pritchard.