



March 14, 2017

Written Testimony in Support of SB 167 – Property Tax Lid Repeal

I appreciate the opportunity to testify today in support of SB 167, a measure to repeal the local property tax lid. We certainly understand the stated policy objectives and intent behind what was recently passed into law. However, as elected leaders we also have firsthand knowledge that our cities deliver needed government services – from water, sewer and storm water infrastructure, to parks, libraries, airports and public safety. We are directly responsive to our citizens and their needs on a daily basis.

Funding municipal services in the most efficient manner possible is something Wichita leaders take very seriously. The City of Wichita has a consistent track record of backing up these words with actions:

- Wichita's has held its property tax mill levy rate **steady for the past 23 years**, and
- Wichita's mill levy rate is among the very **lowest of municipalities in our area**.

Consider that the tax lid will take full effect on January 1, 2018, prohibiting cities and counties from increasing property tax revenues, without a public vote, if the rate of increase exceeds the consumer price index (CPI). Allowing the current lid to go into effect would not only have the effect of punishing growth, even if that was not intended. This would punish cities like Wichita that are growing, albeit slowly. For example, even with current exemptions in the law for public safety, new construction, etc., had the lid gone into effect just one year earlier in 2017, Wichita would have been forced to make cuts to public services of more than \$800,000, or add to its expenses by holding an election. One wonders - what may happen to services in cities that have not been able to hold their mill levies steady for more than two decades?

Problems with the law are many.

- **Structuring a tax lid around the CPI for all urban consumers is not a realistic assessment.** Cities do not purchase the same items urban consumers purchase. While the CPI for urban consumers gauges increases in food, apparel, and rent, etc., cities purchase items such as asphalt, sand/salt mix, snow plows, police cars, personnel services and health care, which require a much different metric. Rates of inflation for these items are different than for consumer goods, and many cost drivers cannot be controlled by cities yet have a significant impact on budgets and may exceed the rate of consumer inflation. Examples include skyrocketing healthcare and other benefit costs, rising commodity costs and utility costs for public buildings. Additionally, the CPI used for the 2018 budget calculations is based upon old data collected between 2012 and 2016.

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- **Some city bond ratings may face downgrades.** Bond counsels are already advising some cities that their bond ratings may be *downgraded* if the state allows the current property tax lid to take effect, which becomes more likely if existing exemptions are removed. If a downgrade occurs, cities may have to spend *more* taxpayer money when incurring debt for large projects.
- **Property tax lids create uncertainty for programs and are not business-friendly.** Requiring citizens to vote creates an uncertainty for programs and businesses, which in turn suppresses growth. Many developers have expressed a concern that the property tax lid will negatively affect economic development because of the uncertainty of whether the infrastructure required to support new growth will be available.
- **The tax lid erodes our representative democracy in ways that are likely unintended.** Citizens elect mayors and council members to make decisions for their city, including passing a budget that meets the community's needs within its means. Removing the taxing authority from local officials who were elected by their citizens, erodes the representative democracy that is the backbone of our great state and country.

All of us want responsive, responsible, and transparent government; our constituents demand it and rightfully so. Local governments are closest to the people and are therefore in a position to be the most responsive, responsible, and transparent. Local governments can pass or amend ordinances and resolutions throughout the year, whereas state law can really only be changed once each year. This is one of the main reasons why voters in Kansas codified Local Home Rule for cities – not just in state statutes but in the Kansas Constitution.

We certainly appreciate the time and effort expended by all parties to make the current property tax lid law less harmful than it might have been. The City of Wichita worked alongside many others, making sure exemptions would be included for public safety, new construction, and major redevelopment projects. Regardless, when harmful impacts upon citizen services are taken into account, the current law remains seriously flawed as public policy and should be repealed.

Respectfully Yours,

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