

To: The House Committee on Taxation
From: The City of Olathe
Subject: Testimony in opposition to HB 294
Date: March 16, 2020



Dear Chair Johnson, Vice Chair Mason, Ranking Member Gartner, and Committee Members,

Please consider this letter our testimony in opposition to Senate Bill 294.

We oppose this bill because 1) the “revenue neutral rate” does not reflect the actual costs of providing municipal services to new construction; 2) the “revenue neutral rate” does not account for inflation; and 3) the notification and automatic refund requirements are needlessly burdensome and will probably only cost City taxpayers more money.

In 2020 the City will experience \$22,008,742 in new construction and expiring economic incentive projects. Additional revenue of approximately \$500,000 is needed to provide programs and services to the newly constructed area. Under this bill, the revenue neutral rate would be calculated by simply spreading the previous years’ tax revenue over the current years assessed valuation. So the \$500,000 needed to provide City services to new residents and businesses would be categorized as a “tax increase,” even though this amount is simply the amount new residents and business pay for City services they receive. New construction results in a tax cut for other residents and business, without any way to pay for the tax cut. This policy is unsustainable. The adverse incentives in this bill will push Cities to avoid growth. New construction is an important engine of economic growth in our state should not be discouraged.

The cost of city services and programs increases because of inflation. The “revenue neutral rate” does not accurately describe the cost of continuing existing service levels. We believe that the revenue neutral rate should be adjusted yearly to reflect increases in the CPI-U. Since 2010 the annual average CPI has been 1.76%, for a total increase of over 17.6%, per the BLS CPI Inflation Calculator.

The cost of mailing the notices prescribed by the bill will be borne directly by Olathe Taxpayers. We suggest the lower cost alternative of publication on the City website or social media. We would also be amenable to any other lower cost options for publication of notices.

We would request some clarification on Section 1(c). It appears to say that if a City fails in any of the procedural steps to increase taxes above the revenue neutral rate, then the entire amount over the revenue neutral rate would be refunded. This is a very harsh penalty that would basically end certain City programs and services during a fiscal year because of a procedural mistake. If the intent was to require refunds in cases where the refund is the difference between the proposed tax amount and actual final tax rate, Section 1(c) will need to be rewritten.

Although we oppose the bill we have four recommendations to improve the bill. First, appraised value from new construction and expiring economic incentive projects should be accounted for in the calculation of the revenue neutral rate to allow Cities to capture all of this revenue. Second, the “revenue neutral rate” should be annually increased by that year’s increase in CPI-U. Third, the burdensome requirements of mailing notice to every resident should be removed, and replaced with a more modern

notice provision. Finally, the automatic refund provision should be removed.

We support the portion of the bill that repeals the tax lid.

In conclusion, for the above reasons we express our opposition to Senate Bill 294 and ask you to not advance the bill. Please feel free to contact Director of Resource Management, Dianna Wright if you have questions or if you would like further information. She can be reached at (913) 971-8680 or DSWright@OLATHEKS.ORG