



OPPOSE SB 294 – Establishing notice and public hearing requirements prior to approval by a governing body to exceed its certified tax rate for property tax purposes.

To: Senate Committee on Assessment and Taxation
Sen. Caryn Tyson, Chairwoman

From: City of Lenexa

Date: 7 February 2020

Honorable Chairwoman and Committee Members:

Thank you for allowing the City of Lenexa to submit testimony concerning SB 294. The City opposes this bill because of the substantial adverse impact on all communities in Kansas.

Last December, the Tax Foundation recommended that Kansas repeal the local government tax lid and replace it with a local property tax and budgeting structure based on the State of Utah's model. This arrangement is commonly known as "Truth-in-Taxation" and is the basis for SB 294. While the City of Lenexa favors the repeal of the tax lid, we oppose SB 294 because it is far more restrictive than the Utah model. The bill is imprudent for the following reasons:

1. The bill does not allow cities to capture the value of new growth. New growth broadens the tax base and is a lynchpin of the Utah model. Promoting growth is a critical economic development strategy and a fundamental fiscal strategy for communities to ensure there are adequate revenues to provide the level of services taxpayers expect.
2. Concerning economic development, the bill does not exempt growth related to the expiration of tax abatements. An abatement granted by a community is positioned as an annuity, a public investment in the future that creates energy for new private investment. Where used, abated properties coming back on the tax rolls are important components of a city's multi-year financial plan.
3. The bill institutes a new level of bureaucracy by creating a complicated tax and budget certification scheme handled by the Department of Administration. In addition to county clerks certifying local budgets, this bill adds a redundant state recertification process. With approximately 4,000 local units of government in Kansas, the new process will cost the state valuable time and money.



4. SB 294 prevents taxing jurisdictions within the same county from holding a budget hearing at the same time. Practically speaking, in counties with dozens of taxing jurisdictions, the bill will create logistically difficult circumstances for coordinating budget hearings. More importantly, it obstructs completely independent local governments from setting budget timelines and dates for hearings that are appropriate for their community.
5. The bill does not repeal the local government tax lid. Leaving both budgeting structures in place is problematic. The tax lid exempts budget increases for law enforcement, fire, EMS, and inflation, among other items. SB 294 does not. To further complicate matters, the "Truth-in-Taxation" process proposed in SB 294 is incongruent with a tax lid election, should one be required.

In Utah, the "Truth-in-Taxation" law had consequences that were slow to develop and were antithetical to its intended purpose: substantial property tax increases. SB 294 is more austere and lacks a central benefit of the Utah version, allowing local governments to capture the value of new growth. Additionally, it fails to repeal the tax lid. If passed, it will leave local governments to contend with two competing tax and budgeting schemes that will undoubtedly create confusion and frustration.

Each community has different needs and priorities. Local governing bodies set budgets based on those factors. Local governments need flexibility and autonomy in addressing local issues, and this bill obstructs those dynamics. It is restrictive, fundamentally flawed, and contrary to the Home Rule Authority vested in municipalities by the Kansas Constitution. For these reasons, we ask that you not pass SB 294 out of the committee.

Sincerely,

CITY OF LENEXA