



**House Committee on Taxation
Hearing on HB 2424
Hearing Date - May 9, 2017**

**Written Testimony in SUPPORT of HB 2424 on behalf of the City of Manhattan
By Kiel Mangus, Assistant City Manager**

Good afternoon Chair Johnson, Vice Chair Phillips and honorable members of the House Taxation Committee. My name is Kiel Mangus, and I am the Assistant City Manager for the City of Manhattan.

The City of Manhattan SUPPORTS HB 2424, amending the property tax lid law to provide an exemption for increases in employer contributions for social security, workers compensation, unemployment insurance, health-care costs, employee benefit plans and employee retirement and pension programs. Cities must have the flexibility to react to these changes. Below are some reasons the City of Manhattan supports HB 2424:

- Cities are often hit by health insurance increases that are outside of their control. Those marketplace increases should be exempt from the tax lid. Healthcare costs alone have far outpaced the CPI-U index. Every year from 2004, except for one, healthcare costs have increased at a percentage higher than the CPI-U.
- The CPI-U also creates a 'hard-to-meet inequity' regarding state-mandated retirement systems (KPERs and KP&F) by allowing the state to underfund their portion of local retirement systems while increasing the annual rates of both retirement systems at the local level. In 2015, the State of Kansas cut their employer contribution to KPERs and in 2016 the State of Kansas delayed their \$93 million payment to KPERs until 2018. Between 2003-2014 the State of Kansas only funded KPERs at an average funding ratio of 65.1%, thereby short changing the investment funds and subsequent overall performance of the fund. That funding ratio puts the State of Kansas in the bottom 25% of State Funded public retirement systems. Employer contributions, which rely exclusively on the City's general fund, will continue to increase to make up for lower estimated returns over time.

For all the above reasons the City of Manhattan **SUPPORTS HB 2424**. Thanks for your time and consideration.