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TO: Sen. Caryn Tyson, Chair
Members, Senate Taxation Committee

FROM: Ashley Sherard, Vice President
Lenexa Chamber of Commerce

DATE: March 16, 2017

RE: Written Support for SB 167 – Repeal of Local Property Tax Lid Public Vote Requirement

The Lenexa Chamber of Commerce appreciates the opportunity to support SB 167, which proposes to repeal the local property tax lid public vote requirement for cities and counties.

We continue to believe the legislation imposing the local property tax lid public vote requirement was neither necessary nor advisable.

- The statistics cited to justify the need for a lid are often misleading. Supporters of a lid primarily cite an increase of over 100% in total property tax revenues collected by Kansas cities and counties from 1997 to 2014. What is **not** shared is that “total amount of property tax revenues collected” includes all *new* construction coming onto the tax rolls – *something lawmakers have worked hard to encourage, which also increases demand for government services.*

In addition, “total amount of property tax revenues collected” includes increased revenues due to new improvements to property, new and improved personal property, new territory through annexation, property coming off of abatement (such as the Sprint Campus), property that has changed use to a higher tax classification (like from agricultural to residential/commercial), and population growth. *Increased collections does not directly equate to increased burden.*

It must also be recognized that since 1997 state action has significantly impacted local budgets and property taxes, including ending most state/local revenue sharing, repealing local revenue sources (such as exempting commercial machinery and equipment), and shifting responsibilities from the state to the local level.

- Citizens already have an opportunity to vote, and local officials already are accountable. Citizens vote to elect local officials to represent their interests on tax and budget issues the same as they do state and federal officials – and if citizens don’t believe those officials are striking an appropriate balance between taxes and community needs, they can vote them out of office.

Local citizen satisfaction surveys, however, conducted biennially by outside third parties in many cities, reflect a high level of satisfaction with the value received for local taxes/fees paid – in Lenexa, for example, the most recent citizen satisfaction survey conducted in late 2015 revealed 77% of respondents were either satisfied or very satisfied with the overall value received for city taxes and fees paid (another 17% were neutral) – compared to a 44% average in the KC metro and a 48% average for the U.S. – with only 6% of respondents either dissatisfied or very dissatisfied.

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Supporters of a lid may counter that if citizens are indeed satisfied with their local governments, then what's the harm in holding an election – *but holding elections costs money, there is no lid exemption for those costs, and local governments are already stretching limited financial resources.*

- A property tax lid will ultimately be more harmful to communities than beneficial because it creates uncertainty and can deter or delay important service and infrastructure investments.

Population growth, non-discretionary costs that exceed inflation (such as health care and utilities), and increases in mandated spending can leave little left over to invest in other important programs and services, such as public works, transportation, and amenities like parks, and voters may not support funding for services or infrastructure they do not view as specifically and directly benefiting them, even if it is necessary for the greater good.

For that reason, property tax lids create budget uncertainty that is not attractive to business--developers, brokers, local realtors, and businesses have expressed concern that a property tax lid will negatively impact economic development because of the uncertainty whether infrastructure and services needed to attract and support new growth and maintain existing communities will be available.

In addition, bond attorneys and municipal financial officers have advised that budget uncertainty means local government bond ratings may face downgrades. If a downgrade occurs, local governments may have to spend more taxpayer money when financing large projects.

- A local property tax lid represents a double-standard. The State continues to benefit unrestricted from valuation increases above the CPI through both the 1.5 mills it levies to support state buildings and the 20 mills levied for K-12 education (the more 20 mills raises locally, the less the state must fund), and no state tax increases are subject to a public vote.

For these reasons, we strongly advocate repeal of the local property tax lid public vote requirement as proposed in SB 167, returning the budget approval process for cities and counties to the same as other taxing districts.

Thank you for your consideration of our input.