

To: Senate Elections, Ethics, and Local Government

From: Trey Cocking, Deputy Director

Date: February 11, 2020

RE: Testimony in Support of Senate Bill 338

I want to thank Chairwoman Bowers and the Committee members for allowing the League of Kansas Municipalities the opportunity to provide testimony in support of SB 338.

Kansas municipalities have been struggling with unintended consequences of the current Kansas budget law for years. In the summer of 2018, the League formed an advisory committee to review the current Kansas budget law and look for solutions to improve their operations. The committee's recommendation was to create an optional system where a taxing entity could either follow existing budget law or complete a two-step process.

Under current Kansas budget law, a taxing entity is required to complete its budget by August 25, four months and six days before the start of new budget year. If the Kansas Legislature followed the same timeline for the FY 2021 budget it would have to have considered all line-item veto overrides by February 25, 2020. Legislators would have to complete their task without the aid of the April consensus revenue estimate.

SB 338 would give taxing entities the option of either using the existing budget and property tax levy setting process or a new procedure. With the new option, a taxing entity would set the amount of property tax by August, and then would have until November 30<sup>th</sup> to adopt their budget. That way, they would have three more months to forecast non-property tax revenues and adjust their budget accordingly. They would still go through the notification and public hearing requirement to set their property tax levy in August.

The current budget law has largely been in place since 1933. In 1933, revenues for local governments were almost exclusively from property tax. Property tax is a very stable revenue source with very little variation from year to year. The vast majority today's modern cities are dependent on a broad source of revenues, and property tax typically makes up only 20-40% of a city's total budget. Revenue sources such as sales tax, franchise fees, permits, fees, and fines are

more volatile as they can be impacted by macro and micro forces including recessions, weather, and the success of the local sports team. Go Chiefs!!!

When cities complete their annual budget work by August 25<sup>th</sup>, they must build in large contingencies to plan for unknown events and changes in economic conditions. During the process of budget setting cities must decide on capital expenditures and employee costs. Cities often do not have the final information on the health plan costs until October. Construction costs and bids can vary for projects which results in either additional costs or savings.

Cities considered moving the deadline back to set their budgets. However, concerns have been raised by County Clerks that this change would make it difficult to finalize property tax statements by the statutory deadline.

Volatile revenue sources and unknown expenditures make budgeting under the current budget law extremely difficult, and we are asking you to create a solution that will help taxing entities be more transparent and responsible to our citizens. We respectfully ask this Committee to pass SB 338 favorably to the full Senate for consideration.