

House Taxation Committee
Testimony on House Concurrent Resolution 5025
Mark Manning City of Wichita
March 18, 2024



Representative Smith and members of the Committee;

Thank you for the opportunity to outline concerns about House Concurrent Resolution (HCR) 5025. The City of Wichita supports efforts to have a fair and equitable property valuation model for both residential and commercial property owners, and to minimize the property tax burden on local taxpayers. However, it is important to balance any efforts to enhance the property valuation process with the ability of local governments to finance priority services demanded by our residents – which includes public safety services, and infrastructure improvements.

The City of Wichita General Fund receives revenues from a variety of sources; the largest source of revenue is property tax. Likewise, property taxes are the largest source of revenue in the Debt Service Fund. An estimated 62% of assessed valuation in Sedgwick County is residential, which means that HCR 5025 could significantly reduce the City's tax base and dramatically decrease City property tax revenues. This would impact the City's ability to finance priority services, and to maintain a low and stable mill levy rate.

Public safety services are a community priority and consume over 60% of the City's property tax revenues in the General Fund. HCR 5025 would force the city to reduce public safety expenditures, or to consider significant reductions in the remaining 40% of the City's budget – which includes infrastructure maintenance for streets and buildings; park, recreation, library and cultural services programming; support of transit services, and a variety of other activities.

The City also utilizes property tax revenues to fund capital improvement projects – most of which are focused on maintaining current infrastructure and providing up to date infrastructure for public safety operations. HCR 5025 would likely require consideration of significantly reducing planned improvements for police and fire stations as well as capital maintenance of infrastructure.

While the City has adopted an annual budget with a flat mill levy rate for over thirty years, to continue funding services that are important to local residents, the City would be forced to consider increasing the mill levy rate in the future based on HCR 5025.

HCR 5025 also would ultimately result in a shift of the property tax burden from residential property to commercial property. The City believes this impact on commercial property owners warrants careful consideration.

The city utilizes Tax Increment Financing (TIF) as a tool to expand the tax base and create economic vitality in our community. TIF models are predicated on the rapid increase of the tax base (due to prompt valuation of property improvements). HCR 5025 would appear to jeopardize this model, particularly for residential TIF projects. For example, the City's latest TIF project surrounding our baseball stadium has a significant residential component.

New construction (for both residential and commercial development) is a significant growth engine driving the property tax base. Although HCR 5025 does acknowledge the importance of new construction by suggesting that future legislative action could address this issue, unless or until that future action occurs, HR 5025 could jeopardize current City strategies to expand the tax base through new construction, an outcome that would appear undesirable for both the City and the State.

Any reduction in the assessed valuation base would also impact the statutory debt limit calculations for cities and counties. While this is not a specific concern of the City of Wichita, which is currently only at 23% of the debt limit, the city recognizes that other local governments could be much closer to the debt limit, and therefore be potentially significantly impacted by any reduction in valuation that HCR 5025 could cause.

The City of Wichita applauds legislative efforts to address property valuation and recognizes the complexity of these issues. However, the City has very strong reservations about the current language in HCR 5025, or in any legislative proposals that jeopardize expansion of the tax base through new construction, or that diminish TIF increment development (particularly for currently approved TIF's), or that materially shift the property tax burden to commercial property owners, or that would require local governments to either reduce priority service levels desired by our residents, or to increase overall mill levy rates to offset valuation decreases.