

Date: March 6, 2019

To: Chairman Steven Johnson and House Taxation Committee Members

From: Trey Cocking, Deputy Director

Re: Testimony in Support of HB 2345

Chairman Johnson and Taxation Committee Members, thank you for the opportunity to testify in support of HB 2345, on behalf of the League of Kansas Municipalities' member cities.

I am here this afternoon to ask for help with government regulation that is causing harm to cities and property taxpayers.

HB 2345 would allow cities and counties that lower their tax levy, or that do not take the increase allowed under law, to later increase without a vote to that statutorily that would have been allowed if the city had not decreased their tax levy voluntarily, if they do it within a seven-year period.

One of the unintended consequences of the tax lid is that if cities lower their tax levy, they are then unable to go up to the level they were at prior to lowering their tax levy. So, if a city could lower, or not increase, taxes in the current year, but the out year presents a situation that has more risk with the cap in place, the city will have no responsible choice but to maintain at the current level or increase to the maximum allowed under the lid. This also could prove troubling when a city has a one-time savings (such as due to a cost savings or sale of a property) and would like to return those savings to the taxpayers. Under current law, the city would be able to lower property taxes for one year but would then have to have a vote to increase to the level before those savings were passed on to the taxpayers.

I served as a City Manager/Administrator for 11 years. Every year during the budget cycle, I would have a conversation with members of my governing body on what their priorities were for the annual budget. Without a doubt, the conversation quickly turned to the city's tax levy, and their priority was usually keeping the tax levy flat. Most years, I was able to work through the numbers and find a way to keep the tax levy flat, with the understanding that we could always increase the tax levy the next year. However, with the property tax lid in place there is no longer that ability and I would be forced to recommend an increase because of potential known and unknown risks.

HB 2345 would be a good first step in developing a system that allows cities to have some financial certainty when lowering their tax levy.

Based on this testimony, the League of Kansas Municipalities requests you pass HB 2345 favorably out of committee and to the full House.