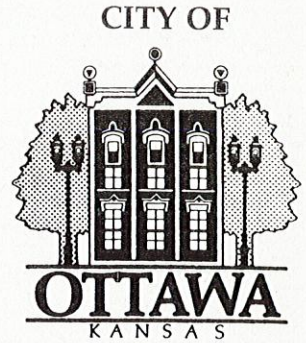


Date: March 14, 2017

To: Chairman Steven Johnson and House Taxation Committee:

From: Richard U. Nienstedt, City Manager, City of Ottawa, Kansas
Scott D. Bird, Director of Finance; City of Ottawa, Kansas

Re: Written Testimony in regard to HB 2376



The City of Ottawa respectfully stands with other Kansas cities and counties in support of HB-2376, which reduces the potential impact of KSA 79-2925c.

As you are aware, KSA 79-2925c caps city and county authority to manage their affairs by restricting ability to handle budgetary needs related to property tax funding in order to provide adequate services to their respective communities. Under Home Rule, local units of government were provided constitutional authority in 1961 to govern local affairs. KSA 79-2925c was, in our opinion, imposed in opposition to that authority and has the potential of opening the door to further erosion of local control.

Further, the election requirements promulgated by KSA 79-2925c is mandatory anytime a proposed budget amount exceeds the mandated tax lid, which is subject to the limitations of a five-year rolling average of the Consumer Price Index (CPI). It should be mentioned, the provisions within this legislation, which require a referendum are not complete, and potentially add unnecessary expenses for holding an election. As an example, in 2015 the City of Ottawa held a mail ballot election for a purpose not related to property tax. The point is, the cost of such an election exceeded \$12,000. Similar costs will be incurred by municipalities if KSA 79-2925c is not amended.

It should be mentioned that regular city elections for governing body members are held biennially, which in reality, is when the voting members of a community hold their elected officials accountable for the operations of their community. This accountability extends to property tax rates. To put it more succinctly, adding another layer of elections is superfluous, expensive and unnecessary .

As an additional safeguard, a protest petition election could provide the elected body the opportunity to explain the need for a proposed tax increase. This opportunity would potentially avoid the cost of holding an election. Should a valid petition be submitted, the governing body could simply adjust its budget before adoption, thereby avoiding said cost.

It should also be mentioned, that the legislature saw fit in years past to eliminate demand transfers to local units of government. Over time this has cost the City of Ottawa approximately \$4,000,000; most of which had an impact on the General Fund. Further restrictions limit local units of government from being able to adequately meet the needs of their communities. Other negative impacts include prior legislative changes to Machinery and Equipment assessments.

Finally, local units of governments are not reaping great revenue benefits due to increased assessed valuation. In fact, some municipalities like the City of Ottawa have actually seen slow increases most recently and negative growth in assessed value in prior years. Again, this was partially due in part to changes in Machinery and Equipment. With that being said, the City of Ottawa supports HB-2376, which reduces the impact of KSA 79-2925c.

Respectfully,

Richard U. Nienstedt
City Manager

Scott D. Bird
Director of Finance

CC: Mayor Caylor, Commissioners Reed, Jorgensen, Skidmore and Graves
State Senator Tyson, State Representatives Finch and Jones