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Date: March 16, 2017
To: House Committee on Taxation
From: City of Overland Park
Re: HB 2376 – Proponent

Thank you for allowing the City of Overland Park to submit testimony on HB 2376. The current property tax lid law lacks a functional election process, does not mandate adequate information be provided to voters, has an election trigger that diminishes the impact of citizens, and requires taxpayers to pay for elections they may not want. We strongly support passage of this proposed legislation, to re-establish a workable tax lid, and the ability of city governments to be responsive to their residents' needs.

HB 2376 would re-establish the tax lid election process as it existed from 1989 to 1999.¹ Although the City opposes any limits on its Governing Body's ability to budget for the community's needs, the previous property tax lid at least had a workable election procedure. The current property tax lid law includes multiple calendars for elections that either don't match up or are not possible to execute. It assumes the state will provide valuation information to counties a month earlier than previous years, even though the state has often missed previous deadlines. It also doesn't require that any notice be given to the public, and provides little detail about what information needs to be included on property tax election ballot questions. Unlike the current tax property lid law, HB 2376, as proposed, has clearly established and workable time frames; requires public notice of property tax increases and establishes the contents of that notice; and outlines the language that must be included on the property tax election ballot question. These provisions are essential to having a functioning property tax lid with which cities can easily comply and providing citizens with the information they need to make an informed decision.

Additionally, the protest petition election established by HB 2376 is better suited to the public budgeting process than an automatic election. Public budgeting requires consideration of two factors: 1) the needs of the City's residents, and 2) the burden of taxes on those residents. Local governments are given the responsibility of setting budgets in order to weigh these factors together. Taking one of those factors (property taxes) and subjecting it to an automatic election, without voters having the benefit of a comprehensive understanding of why those funds are needed, ignores the difficulty of budgeting decisions and the trust voters have placed in their local elected officials. Unlike the current property tax lid law, the proposed protest petition

¹ See Laws 1985, ch. 314, § 26; Laws 1990, ch. 66, § 8; Laws 1997, ch. 135, § 2.

election would give the City the opportunity to educate its taxpayers regarding the need to increase the budget beyond the property tax lid limits. This would allow citizens to decide whether they disagree with their elected representatives and want an election on the issue of the budget increase.

HB 2376 also increases democratic control of property tax increases. Instead of using increases above the CPI (which is an irrelevant determinant in the real growth of business and government expenditures) as the election trigger, the legislation would give a jurisdiction's citizens the ability to call the election. Overland Park residents are much better suited to determine if property tax increases are necessary than an arbitrary rolling average of the CPI, which has no relation to the public projects and programs, quality of roads, and other public services that our residents desire. The City believes its citizens would rather have property tax elections when they are requested by a small minority of the community, than have automatic elections based on an arbitrary CPI measure. With the proposed protest petition, if enough citizens opposed an increase in property tax revenues, they could call an election on the issue. Conversely, if there was no opposition to the increase, the City's elected officials could adopt the budget they deem necessary to meet the community's needs, and prevent taxpayers from paying the costs of an election that no citizen requested.

Proponents of the current property tax lid law have argued that it makes sense to have the same automatic election process for property tax increases that is required for sales tax increases. The opposite is true. The election requirement for sales taxes (which can vary greatly from year to year) is manageable because cities have had the flexibility to appropriate the amount of property taxes needed to fund variable or unanticipated expenses. Additionally, sales taxes are generally used more for dedicated capital projects, which can be deferred to later years, while property taxes are used more often to fund recurring annual operational expenses. Subjecting property tax increases to a mandatory, unworkable election process endangers the ability of cities to function properly. For example, the City is anticipating a 9.5% increase in health care costs for the 2018 budget (8.1% above the current tax CPI threshold). The City also has a general fund reserve policy that sets a goal of thirty percent (30%), which is one measure that is expected from bond rating agencies to maintain a AAA rating. Overland Park residents should not be forced to pay for an election they don't necessarily want, to approve their city's operational costs and maintain its financial health.

Thank you for allowing the City to testify in support of this critically important legislation. We respectfully request that the Committee advance this legislation to the full House for approval.