



ABOVE AND BEYOND. BY DESIGN.

**City Hall**  
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Date: March 16, 2017  
To: Senate Committee on Assessment and Taxation  
From: City of Overland Park  
Re: SB 167 – Proponent

Thank you for allowing the City of Overland Park to submit testimony in support of SB 167. The current property tax lid law does not account for the increasing costs of operating a municipality, may decrease the quality of public services and programs, and is an unnecessary limitation on fiscally responsible local governments. The City of Overland Park has long operated under Home Rule, and feels that the elected City government has been a responsible steward of property tax revenue and is best able to determine the amount of tax revenue required to provide the services and programs for the citizens of Overland Park. For these reasons, we support passage of this proposed legislation.

The current property tax lid law and its CPI threshold provision do not accommodate the increasing costs of operating a municipality. For example, the City is anticipating a 9.5% increase in health care costs for the 2018 budget (8.1% above the current CPI threshold). From fiscal year 2018 to 2019, the KPERS local employer contribution rate is expected to increase from 8.39% to 9.07%, and the KP&F local employer rate is set to increase from 20.09% to 22.02%,<sup>1</sup> increases of 8.1% and 9.6% respectively (or 6.7% and 8.2% above the current 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. Finally, the costs of each election mandated by the current law to approve property tax increases above the CIP threshold would be approximately \$200,000.<sup>2</sup>

SB 167 would return decisions about property taxes and the quality of public services to our community's democratically-elected officials. Instead of using increases above the CPI as a trigger for a costly election no citizen has requested, the legislation would give a jurisdiction's chosen representatives the ability to balance the needs of the community against the burden of property taxes on their constituents. Overland Park residents and their elected officials 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 cost of public projects and programs, the infrastructure necessary to support new development and redevelopment, and other public services that our residents desire. Overland Park is a prime example of a fiscally responsible government

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<sup>1</sup> <https://www.kpers.org/employers/contributionrates.htm>

<sup>2</sup> The citywide sales tax election on October 8, 2013 cost the City \$187,043.41.

delivering high-quality services, without the interference of a property tax lid. The City has the lowest mill levy of any city of the first class in Kansas, and in its most recent citywide survey 98% of respondents rated it as an excellent or good place to live and to raise children.

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.

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 Senate for approval.