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Date: March 14, 2017

To: Chairman Caryn Tyson and the Senate Assessment and Taxation Committee

From: Jon Quinday, City Manager

Re: Testimony in Support of SB 167

Dear Chairman Tyson and Committee Members,

The City of Russell strongly supports local control – government close to and responsive to the people. Our residents have elected officials capable of making good decisions with our community's values.

The governing body of the City of Russell has been, and continues to be, mindful of property tax burdens by making good decisions for their city, including passing a budget that meets the community's needs and values. Each year the governing body must weigh competing costs and benefits when it adopts the budget it believes is in Russell's best interests, even in the absence of the Local Ad Valorem Tax Reduction (LAVTR) and County City Revenue Sharing (CCRS) programs. Over the past 13 years the legislature failed to fund \$1,068,557,147 owed to cities and counties through the LAVTR program determined by 3.63% of total state sales and use taxes. Additionally, in 2006, the Kansas Legislature exempted new machinery and equipment from property taxation. Knowing this would have a negative impact on local budgets; partial reinstatement of the LAVTR fund was included in the final bill. LAVTR payments were not received. CCRS payments totaling \$870,922,286 were not received during the same time period.

However, costs to serve our community continue to rise; employee health care, road maintenance and replacement, and equipment to name a few. Structuring a tax lid around the CPI for all urban consumers is not a realistic assessment since as it gauges increases in food, apparel, rent, etc. Rates of inflation for these separate metrics are not comparable. KSA 79-2925(c) sets the CPI used for the 2018 budget calculations based off data collected between 2012 and 2016; capping revenue increases at 1.4 percent, plus limited exceptions without a vote by the public. The election provisions – August primary election, November general election, special election, or mail-in ballot – are at the city's expense and the ability to inform the public of the need for an increase may be blurred or even lost in the partisan politics that can be associated with primary and general elections.

The City of Russell has worked hard to maintain a strong general obligation bond rating. In 2013, Standard & Poor upgraded our long-term rating two levels from "A" to "AA-" with the outlook noted as stable. Standard & Poor updated the city's financial practices to "good" from "standard" due to our formalized fund balance and reserve policies, use of historical trend analysis when preparing the annual budget, and maintaining formal plans for equipment and capital improvement projects. Bond counsels have indicated that city bond ratings will likely be downgraded under a state imposed property tax lid. If a downgrade occurs, cities may have to spend more taxpayer money when incurring debt for large projects.

Property tax "swings" can be controlled with legislation that restricts county appraisers' ability to raise or lower valuations by a certain percentage – aside from sales and major renovations – each year. Levy rates are directly tied to the rise and fall of property valuations.

Our citizens elect a mayor and councilmembers to make decisions for our city, including passing a budget that meets our community's needs. Removing the taxing authority from local officials, who were elected by their citizens, erodes the representative democracy that is the backbone of this great state and our country.

Based on this testimony the City of Russell requests you pass SB 167 favorably out of committee and to the full Senate. I also urge the Legislature to honor their previously made commitment to reducing city and county property taxes through the Local Ad Valorem Tax Reduction and County City Revenue Sharing programs.