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To: Senate Assessment and Taxation Committee

From: Becky Berger, City Manager, City of Atchison

Date: March 11, 2020

Re: Testimony in Support of SB 338

Honorable Chairwoman Tyson and fellow Committee Members,

The City of Atchison supports SB 338. This bill is common sense legislation that allows cities to be more efficient with taxpayer funds through more accurate budgeting practices.

The current budget adoption timeline imposes an August deadline for cities to submit all revenue and expenditure estimates for the following year, which realistically means that final estimates are complete by mid-July. This creates a great deal of uncertainty in a situation where cities are trying to project revenues and expenditures up to 18 months in advance.

Setting the ad valorem tax rate in August would follow the current timeline as it relates to county administration of the appropriate tax bills, and allow more than three extra months for cities to gauge other revenue sources and expense trends. This helps city leaders' budget better and ultimately benefits local taxpayers.

In the City of Atchison, property tax only makes up around 40% of our general fund revenues. Sales tax and franchise fees are the other primary revenue sources available to us, and they are highly volatile. If we have an unusually cool summer or warm winter, our franchise revenues could plummet after budget adoption, leaving us to scramble to fund budgeted services and programs. Adopting the budget closer to the beginning of the year allows us to be more proactive and accurate in our budgets.

Sales tax revenues are also difficult to forecast, and the reporting period that we receive revenues for is about two months delayed. We receive June sales tax receipts in late August. The sales tax numbers we have available to us during the bulk of our budget estimating process only go through May, and late summer/early fall is typically our largest sales tax generating period. A November budget adoption would be helpful in giving us a better grasp of where sales tax revenues are trending and what resources we have available for the upcoming year.

Even if the deadline for setting the property tax rate were moved, there is no need for the setting of the ad valorem rate and the rest of the municipal budget to be tied together with a common deadline. The ad valorem rate would act as a cap on property tax revenue, and all other factors could be considered independently.

There is no downside to this legislation. There is no group negatively impacted by giving cities the option to adopt the budget timeline allowed by SB 338, and local taxpayers benefit.

We ask that you support this bill and thank you for supporting local taxpayers.