



TO: Senate Committee on Assessment and Taxation
FROM: City of Olathe, Tim Danneberg, Director External Affairs
SUBJECT: Oral (In person) Opposition Testimony on SB 468

Chair Tyson and Honorable Committee Members,

Over the last several decades, the City of Olathe has transitioned from a bedroom community to a commercial center for Kansas by aggressively working to attract investment and job creation. That includes the use of economic development incentives. As a result, Olathe has been able to aggressively reduce its mill rate and now has the second lowest mill rate of any city in the state.

Building our commercial tax base has not only benefited Olathe and its taxpayers, but it has also been a boon for the entire state, with companies such as Garmin, Honeywell, John Deere, and DH Pace employing thousands of Kansas in high-paying jobs whose families live and shop in communities throughout northeast Kansas. Nonetheless, Olathe's commercial growth has expanded our need to build and enhance infrastructure and services. While there is a significant positive return to taxpayers for the investments made by these expanding companies, growth does have a cost.

Olathe has responsibly used and continues using the various types of incentive tools outlined in SB 468. We do so to create tax revenue to cover the cost of providing services to residents and visitors to our community while keeping property taxes low for residents. Unfortunately, as proposed in the bill, cities would no longer capture that new revenue to offset growth-related costs, thereby impeding our ability to keep taxes low for residents. Because new businesses contribute so much to Olathe's economic base, not exceeding the revenue neutral rate equates to foregoing the new tax revenue for new commercial growth which paces the economy of the State of Kansas.

To make matters worse, if commercial economic growth does occur and new tax revenue does not materialize, current city taxpayers would be forced to absorb the cost of the new infrastructure and service demand. As such, it would make little sense for any city in Kansas to pursue economic development opportunities if incentives are needed to bring them to fruition.

Finally, SB 468 assumes the incentivized commercial development would occur without using incentives. The City does not believe that would be the case. In most cases, this growth would occur in Olathe or a community in another state, but is likely to be incentivized on a short-term basis with a long-term positive benefit to the local economy. Incentives are often the catalyst for growth to occur faster, whether that be for expansion of an existing business already within our community or the attraction of a new business to our community. Olathe's use of incentives is based on the fiscally responsible policy parameters established by our governing body and reviewed on an annual basis. SB 468 would stifle the expansion of the Kansas economic base and take a critical policy decision away from local governing bodies who are most in touch with the economic conditions impacting business expansion choices.