

**TO:** City Commission  
**FROM:** David Dillner, City Manager  
**SUBJ:** 2013 Legislative Session and Legislative Platform  
**DATE:** December 27, 2012

The Kansas Legislature will convene next year and begin its process of deliberating a projected deficit that is expected to be greater than \$700 million. By law, the state is required to balance its budget each fiscal year so the projected deficit will have to be made up in this legislative session. The state's 2014 fiscal year begins July 1, 2013. There are several factors that contribute to local government concern over how the Legislature elects to address its budget issues.

In 2010, the state increased its sales tax rate from 5.3% to 6.3%. Sixty percent (60%) of the increase was planned to sunset after ten years, and the remaining forty percent (40.0%) was planned to fund the out-years of the state's Comprehensive Transportation Program. The 6.3% sales tax generates about \$250 million in revenue for the State of Kansas.

Because of the projected deficit, state officials will have to find additional sources of revenue or face service reductions. If the Legislature maintains the 6.3% sales tax rate, it will have to decide if any of those funds will be used to fund the Comprehensive Transportation Program as originally planned. Continuing the sales tax rate at its existing level will generate funds for to address less than half of the projected deficit, and it would not allow any funding for the Comprehensive Transportation Program.

Additionally, the state's revenue forecast may not improve in longer forecast periods since the state has not yet experienced the full impact of the reduction of the state income tax from last year's legislation.

Given the constraints at the state level, I wanted to provide a summary of revenue sources at the local level that may be affected by state legislative action:

- Kansas Gas Tax. The City annually receives about \$170,000 from Kansas Gas Tax proceeds. These funds account for about 80% of the Special Street budget, which is used for street maintenance projects. The recent mill and overlay of NE 14th Street and the City's local match for the KLINK program were both funded from these funds.
- Local Alcohol Tax. The City annually receives about \$30,000 from Local Alcohol Tax proceeds, which are divided into the following local funds by about \$10,000 each:
  - *Special Parks and Recreation Fund* is used to fund special park improvement projects (30% of the Special Parks and Recreation budget);
  - *Special Alcohol and Drug Fund* is used to fund such programs as the Safe Night After Prom (SNAP) program, drug and alcohol rehabilitation and education, and DARE programming (20% of the Special Alcohol and Drug budget); and
  - *General Fund* for general government operations.

The City would lose about \$200,000 in revenue if the Kansas Legislature elects to reduce or eliminate revenues that are redistributed to local governments, such as the aforementioned Kansas Gas Tax and the Local Alcohol Tax. While this would only reduce the City's overall budget by about 1%, it would dramatically affect the services that are funded in part by state revenue.

Major street maintenance projects, for example, would be limited to the recently adopted 0.25% sales tax. This means that fewer projects would be completed with longer periods of time between projects. The City completed the NE 14th Street Mill and Overlay Project at a cost of \$193,630. If the Kansas Gas Tax is not redistributed, the cost of similar projects would have to be locally funded. The City would only be able to do major street maintenance as funds are available based on sales tax receipts.

Additionally, the 0.25% sales tax was intended to provide a revenue stream for major maintenance projects on non-arterial streets, which do not currently have an identified revenue source to address continuing infrastructure deterioration. By using sales tax proceeds for arterial streets, the City will not be able to address deterioration on lower classified streets that also need repaired.

It is uncertain what measures the Kansas Legislature will seek to enact to address its budgetary deficit, although it is important for the City Commission to consider the effect of such actions on local services.

Last year, the City Commission adopted its own State Legislative Platform that established its preferred policy with respect to potential state legislation. Rather than develop its own platform, the City Manager recommends the City Commission consider endorsing the 2013 Statement of Municipal Policy developed by the League of Kansas Municipalities. The positions articulated in the statement have been developed and reviewed by various policy committees comprised of municipal representatives. Each statement is meant to preserve the foundation of local democracy that allows cities and counties to do the work their constituencies desire. The League's Statement has been included with this memorandum for review.

It is anticipated that the Kansas Legislature will debate and vote on various measures this legislative session that are counterintuitive to the long-held tradition in Kansas of home rule. Enacted by a constitutional amendment that was approved by the electorate in 1961, home rule allows local governments to address local circumstances in a way that best suits the locality. Each city and county has its own traditions and values that do not always provide an ideal situation for uniform legislation. Home rule authority is reduced when the Legislature adopts legislation that infringes upon local governments ability to to make local decisions.

In its 2013 Statement of Municipal Policy, the League of Kansas Municipalities has adopted the following policy statement addressing home rule authority: "LKM supports the constitutional home rule authority of Kansas cities. Self-governance by locally elected officials must be preserved in order to ensure that local issues and problems are handled at the level of government closest to the citizens that they represent."

If desired, the City Commission may review the Statement of Municipal Policy and make modifications. The purpose of adopting a Legislative Platform is to establish an official policy that may be used to articulate the City's position on proposed legislation. Items that are modified or removed from the Statement of Municipal Policy would be reflected in any official correspondence from the City of Abilene concerning legislative proposals.

In its 2012 Legislative Platform, the City Commission also established the following positions on issues that are specific to the City of Abilene and the Dickinson County area that could be included in a modified statement:

- President Dwight D. Eisenhower Tourism: President Eisenhower served as the 34th President of the United States and as a Five-Star General of the U.S. Army. President Eisenhower contributed greatly to positively affect national and international events. He is the only President to call Kansas home as his boyhood home is located in Abilene, Kansas. The City supports a national and state effort to promote Eisenhower's legacy. A recent cooperative effort between Kansas and Missouri designated Interstate 70 between Abilene, Kansas and Independence, Missouri as the Eisenhower-Truman Memorial Highway. To continue this initiative, the State of Kansas should continue to commit resources to preserve the Eisenhower legacy for generations to come in much the same way as other states, such as Illinois, have claimed their Presidential sons.
- Chisholm Trail Historic Trail Project: Per Public Law 111-11, the National Park Service is in the process of conducting a Feasibility Study/Environmental Assessment for the Chisholm and Great Western National Historic Trail to commemorate the routes followed by more than ten million head of cattle travelling between Texas and Abilene, Kansas en route to market in the 1860s through 1880s. The City endorses the national effort being dedicated to this project and supports the completion of the study/assessment. The City, as the terminus of the route, also supports the implementation of a plan to provide historical interpretation of the story of this important and untold piece of our nation's history. An effort is underway at the national level and among the historic member states along the route to develop this plan. The City supports efforts by the State of Kansas to participate in any intergovernmental project and encourages financial support to promote this important piece of Abilene's and Kansas' history.
- Greyhound Industry: According to the American Greyhound Council, the greyhound industry creates a national economic impact of about \$832 million per year. Unfortunately, the greyhound industry has been in decline for several years as the model for greyhound tracks has become infeasible without casinos and gaming facilities. The City of Abilene is the national headquarters for the National Greyhound Association and supports legislation that would promote the industry and provide much needed partnerships with state casinos. Family-run greyhound breeding farms are important contributors to our local and state economy. It is estimated that greyhound farms represent over a \$150 million investment in the United States and a \$35 million investment in Dickinson County, Kansas. The State should review working legislative models for the greyhound industry in West Virginia and Florida to produce an environment that preserves this piece of our economy.

The State Legislative Platform, including the items discussed in this memorandum, is scheduled for discussion by the City Commission at its January 8<sup>th</sup> Study Session.