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Date: March 12, 2020
To: Chairman Steven Johnson and House Taxation Committee Members
From: Ethan Reimer, City Manager

Re: Written Only – Testimony in Opposition to HB 2656

Chairman Johnson and Committee Members, thank you for the opportunity to testify in opposition to HB 2656 on behalf of the City of Halstead and its Governing Body.

HB 2656 would have a drastic and negative effect on the City of Halstead and its residents if all proceeds of the county-wide sales tax were no longer divided as currently covered by state statute. The City of Halstead currently benefits from a two percent (2%) county-wide sales tax that is assessed in Harvey County. Halstead's portion of each of these county-wide sales taxes is an important revenue stream for the city's operation and provision of services as requested and expected by our residents as well as debt service.

In 2019, Halstead's total portion of county-wide sales tax monies accounted for 16% or \$443,971 of our General Fund revenues. Over half of that amount is from county-wide sales tax monies that is split via the statutory formula. These funds directly support operation of our emergency services (Police, Fire, EMS), maintenance and care of our parks and recreation facilities to enhance quality of life for our residents, and even things such as work on streets, sidewalks, and our flood control levee. Additionally, when a majority of our residents voted in support of the county-wide sales taxes, they did so because part of the revenue that would be generated was promised to be used for the debt service payments on the construction of a new municipal swimming pool. That decision kept property taxes from increasing to cover the additional debt service payments for the pool that run until 2030 that the city will continue to have a duty to pay with or without that sales tax revenue.

HB 2656 would result in the immediate loss of over 50% of our current revenue from county-wide sales tax monies on an annual basis. In the past five years this would have meant the loss of over \$1.2 million or about an average of \$245,000 annually in revenue for our community. As sales tax money is one of our primary revenue streams, its loss will potentially lead to drastic cuts to municipal services and operations or increases in property taxes and fees for service to maintain current operations and continuing to offer services at the level our residents expect. To put it in perspective, it would take over 17 mills being added to our local mill levy to generate the same revenue as the sales tax revenue we stand to lose per HB 2656 on an annual basis. On the average home in Halstead, this would be an increase of around \$260 a year in property taxes.

Based on this testimony, the City of Halstead requests you not to pass HB 2656 out of committee.

Respectfully submitted,

Ethan Reimer, City Manager