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To: Senator Carolyn McGinn, Senator Ty Masterson, Representative Emil Bergquist, Representative Patrick Penn, and Representative Steve Huebert, and the House Tax Committee

From: Kamme Sroufe, City Administrator

Date: March 16, 2022

RE: Testimony in Opposition of HB 2738- Discontinuing County-Wide Sales Tax

Dear Senators and Representatives,

I am writing in opposition to HB 2738. Maintaining the current general, countywide sales tax distribution formula is imperative to cities across Kansas and the City of Kechi. The revenue sharing process in KSA 12-192 has been in law since 1978 and the formula has worked. In 2020, 492 Kansas cities received a total of \$271,112,274 and 82 Kansas counties received \$214,258,925 through the formula. Local sales tax represents 30 percent of total tax revenue collected by the City of Kechi and 23 percent of total city revenue. In 2021, the City collected \$391,992 in local sales tax. A reduction in sales tax revenue would most logically be made up through increased property taxes, thus, increasing the overall tax burden to Kechi residents. One mill in Kechi is equivalent to \$23,873, therefore, property tax would need to increase by 17 mills to cover the revenue shortfall.

Many cities across the state use the proceeds from the general, countywide sales tax to pay debt service. If countywide sales taxes are no longer apportioned, several cities would see a primary source for debt service go away. Cities would still need to pay bond holders, and property tax increases would be the most likely means for meeting this obligation. City of Kechi general fund revenue mainly supports the police department, road maintenance and Public Building Commission bond repayment for City Hall and the Police Department. Fifty-one percent of general fund dollars support personnel expenses; a reduction in revenue could result in a reduction to public safety and/or public works personnel. Other impacts to service include parks and recreation and economic development. No funds for economic development could result in the community becoming stagnant and prevent the ability for growth and organic increases to the property tax base.

The 1978 formula was the result of compromise and working together to find a funding source for both counties and cities. In most cases, most of the sales tax is generated inside city limits and there has been a recognition that a portion of those sales tax dollars should stay where they are generated. Altering the city/county sales tax balance would exacerbate the imbalance of where revenues are raised and where they are spent. The current county property tax structure does not benefit city residents in proportion to the taxes they pay. City property taxpayers pay the same tax for county roads and bridges, noxious weeds, sheriff patrol as county residents that live outside of city limits. In many cases, those tax dollars

are used exclusively outside city limits. Changing this sales tax structure would put further weight on city residents to pay the cost of county service with no direct benefit.

As a class three city, I am concerned that smaller cities will likely be harmed the most by this legislation and have lower capacity to raise additional revenue. In counties with 1-2 larger cities, the county may seek to reach agreement with them on sharing some of the countywide sales tax to gain support. Smaller, satellite cities in the county are unlikely to be afforded the same deference and will likely be left out of any sharing.

I urge you to please vote **NO** on HB 2738.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Kamme Sroufe". The signature is written in a cursive, flowing style.

Kamme Sroufe

City Administrator, City of Kechi