



301 C Street, P.O. Box 296, Washington, KS 66968

Dear House Committee on Taxation Members,

As the City Administrator of the City of Washington, I am writing to you today to share our concerns regarding HB 2738, and the potential change in distribution of county sales taxes.

This bill could potentially decrease revenue to our City's general fund by approximately \$100,000, which accounts for 10% of our total revenue in the general fund. The general fund supports such things as street maintenance and repairs, cemetery, swimming pool/park/recreation, and utilities for the senior center meal site.

This could potentially lead to an overall increase in mill levies and property taxes, and could have far reaching, devastating effects on our community.

Since 1978, the formula for countywide sales tax revenue sharing has been employed across the state. Currently, 93 counties levy a countywide sales tax. In 2020, 492 Kansas cities received a total of \$271,112,274 and 82 Kansas counties received \$214,258,925 through the formula. The current formula was the result of a compromise between cities and counties – the formula continues to work now for cities and counties.

In Kansas, 90% of the sales taxes generated in the state are generated within city limits. 84% of the residents of Kansas live in 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.

Many cities across the state use the proceeds from this tax in lieu of property taxes and to pay debt service. If this law went into effect, it likely would cause cities to have to raise property taxes or cut vital city services relied upon and expected by their citizens.

In light of the significant financial impact that we have all faced across the nation regarding the COVID 19 pandemic, it is a poor time to discuss making such a significant change to the funding formula on such short notice without allowing time to properly consider budget impacts and potential revenue.

The Kansas Association of Counties suggests interlocal agreements could be agreed to between cities and the county. The legislation does not require counties to do this, leaving

all discretion in the hands of the county and ignoring the role cities play in fostering commerce.

City residents and businesses pay the same county property taxes as county residents. In many cases, those tax dollars are used extensively outside city limits for county roads and bridges, noxious weeds, and other functions. This legislation gives no guarantees to city residents that the status quo of spending by county commissions primarily outside city limits would not be applied to sales tax revenues. Changing this sales tax structure would put further weight on city residents to pay the cost of county services with no direct benefit.

On behalf of the City of Washington, I urge you not to support this bill.

Respectfully,

A handwritten signature in cursive script, appearing to read "Carl D. Chalfant".

Carl D. Chalfant, City Administrator