



March 10, 2023

House Committee on Taxation
The Honorable Adam Smith, Chair
Kansas State Capitol, Room 346-S
Topeka, Kansas 66612

RE: Testimony opposing Senate Bill No. 248

Chair Smith and Members of the Committee:

Thank you for the opportunity to comment in opposition to SB No. 248, providing a sales tax exemption for healthy food and repealing the state rate reduction for sales of certain food and food ingredients.

In recent years, the City of Arkansas City has been assisting South Central Kansas Medical Center with funds from the city's 1-cent sales tax dedicated to paying the bond payments on the hospital building. Like many rural hospitals, SCK is losing money and faces closing the hospital if its financial problems aren't resolved. It is highly possible that if SB No. 248 passes, the risk of Arkansas City's only hospital closing increases significantly.

In addition to assisting SCK, the City of Arkansas City has a 1-cent sales tax that primarily funds Police and Fire/EMS. City Finance Director Jennifer Waggoner has done some preliminary research, and if passed, SB 248 has a possible impact of a \$100,000 reduction per month. The general fund and the hospital sales tax would each receive approximately \$50,000 per month less.

SB 248 is bad legislation and would be catastrophic to our budget if passed.

In looking at just February's sales tax data (which is reported sales tax for December 2022), we received \$97,734.41 from Walmart. Statistically, 56% of Walmart's sales are on groceries. This would be a reduction of \$54,731.27 on average each month. We received \$42,327.12 from Dillons. We are including a reduction of 100% of their sales tax revenue. We are not including any dollar stores or other stores that carry grocery items in this preliminary estimate, so the financial impact could be more significant.

On average, this would be a \$97,058.39 revenue hit EACH MONTH or \$1,164,700 annually. This would cut general fund revenues by approximately \$582,350 and the amount transferred to the Trustee for the PBC (hospital) debt payment by the same. This could affect our ability to pay the PBC bond payment. We would have to raise the mill levy by approximately 17 mills to make up the shortfall in the general fund (police/fire) and PBC hospital bond debt the community committed to pay.

We know that there are many pieces of legislation under consideration. However, overall loss to general fund budgets harms city governments, which use these levies to fund essential services. Local sales tax levies are voter-approved. We'd also like to point out that this bill undermines voters of a community who voted on these levies and their purposes. Thank you for considering our views.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Randy Frazer', with a long horizontal flourish extending to the right.

Randy Frazer
City Manager
118 W. Central Ave
Arkansas City, Ks. 67005