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TO: Chairman Adam Smith
House Committee on Taxation

FROM: Amy L. Lange, City Manager, Concordia

DATE: March 10, 2023

RE: Written Only - Testimony in Opposition to SB 248

Chairman Smith and Committee Members, thank you for the opportunity to testify in opposition to SB 248 on behalf of the City of Concordia.

Passage of SB 248 will result in an estimated annual revenue loss of \$290,000 to Concordia's general fund. While this amount may seem small to some, it has a detrimental impact to our population of approximately 5,000. If this revenue is not made up in some way, personnel and services will need to be cut, which will negatively impact the quality of life of our residents and visitors significantly given our already-lean operation. It is likely a combination of the impacts listed below would need to be used:

1. Increase property tax by 9.35 mills (17.87% increase) – Presently, with Concordia's 1.43 pull factor, a large portion of our sales tax revenue is generated by people living outside our zip code. Property tax is only paid by those within our city limits. While residents would appreciate the minor savings at the grocery store register each week, they would ultimately end up paying it as a lump sum through property tax.
2. Cut CIP program – Deferred maintenance backlog will increase without an alternate revenue source. No sealing or mill and overlay of roads, no improvements to parks or other public areas.
3. Cut Equipment Replacement Program – Equipment replacement backlog will increase without an alternate revenue source. Equipment will only be replaced when it is beyond repair, only if other funds are available, and lag in productivity will be evident. Equipment includes patrol vehicles, ambulances, fire trucks, mowers for parks and sports complex, backhoe for water main breaks and grave-digging, etc.
4. Eliminate five (5) positions permanently – In an already-lean operation, elimination of any position results in lower productivity and lower morale within any department. Cuts to public safety positions could compromise emergency response critical to our residents. Cuts to Streets or Parks would result in lower quality of life and shorter life expectancy of our public infrastructure.
5. Cut wages by \$2.90 per hour – This option would deprive current employees of \$6,032 in wages annually, and would make recruitment and retention of quality employees even more difficult in this tight labor market.
6. Eliminate programming and increase participation fees for Recreation Programming – A primary goal of Recreation Programming is open access. Therefore, cities strive to keep participation fees low, and many times local business sponsorships or property tax and sales tax revenues supplant

program operational expenses. Increased fees will create a barrier to participation, especially in our community having an LMI of 53%. Business sponsorships are likely to decline if property tax levies are increased.

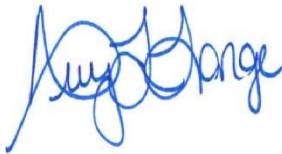
In comparison, with my monthly grocery budget of \$600 per month for my family of four, a local sales tax exemption on groceries would save my family \$144 per year. Is a savings of \$144 per year worth the risk of reduced emergency operations response, lack of park maintenance where my kids play, or increased property tax of 17%?

Property tax and sales tax revenue are extremely important to the operations of our city, as these sources comprise approximately 20% and 40% of our general fund revenue respectively. The League of Kansas Municipalities (LKM) has consistently supported a philosophy of collaboration and diversification to reduce reliance on property taxes. Sales tax, franchise fees, and fees for services are ways to diversify revenue streams of cities to reduce reliance on property taxes. We recognize discussion related to funding LAVTR has recently been revived among state legislators, but given the history of lack of funding, we are not confident implementation would be consistent or that our city would be made whole compared to a local sales tax exemption on groceries.

Concordia has a diverse revenue base, and for that we are thankful. We have been fortunate to experience increased sales tax revenue due to more people shopping local and significant inflation since 2020, which allowed us to address deferred maintenance equipment replacement and projects following several cuts since 2015. Additionally, our community does not have an appetite to increase their property tax burden, as evidenced by the failed bond issues for new hospitals in 2008 and 2013, as well as the failed bond issue in November 2021 for reconstruction of the junior-senior high school that would have added 12 mills to property taxes and an additional 1% general city-wide sales tax. (Notably, these school needs still need to be addressed.) We are compelled to maintain our current property tax base and sales tax revenue stream in order to maintain the quality of life expected of our residents in rural Kansas.

In summary, passage of SB 248 would significantly disrupt the expected operations of cities to support our residents, specifically with respect to critical emergency response operations and operations that positively contribute our residents' quality of life.

With this testimony in mind, the City of Concordia strongly urges you to oppose SB 248. Thank you for consideration.



Amy L. Lange
City Manager