



House Taxation Committee

Testimony on Senate Bill 248

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Representative Smith and members of the Committee;

Senate Bill 248 would have a significant negative impact on revenues for local governments across Kansas, including the City of Wichita. Although Wichita does not have a local city sales tax, a significant portion of the county-wide sales tax is received by the City and is a longstanding and very important revenue source that has funded a variety of services that are significant priorities for local residents. Most importantly, Senate Bill 248 would reduce City revenues by an estimated \$11.1 million annually.

For background, Sedgwick County residents approved a local referendum for a one percent sales tax in 1985. The City pledged to use our portion of that county-wide sales tax to lower property taxes and to invest in local road, bridge and freeway infrastructure. Both promises have been kept since 1985, and both could be jeopardized by Senate Bill 248. The City lowered the local mill levy by nearly eight mills with local sales tax dollars in 1986, and since then the mill levy has remained lower than the pre-1986 level. The revenue loss that the City would suffer due to Senate Bill 248 would be the equivalent of nearly three mills, or close to eight percent of the current mill levy rate of 32.8 mills.

The City pledged to use one half of local sales tax dollars for the community priority of improved roads, bridges and freeways. In partnership with the State and Sedgwick County, the City has modernized more than 14 miles of US 400 to freeway standards with those dollars. Local sales tax dollars have funded the 13th street flyover, used by thousands of west Wichita residents, and are currently funding the City match for the KDOT project to improve the North Junction – which is used by thousands of vehicles daily. More recently, the City has responded to resident interest in streets by spending millions on street rehabilitation and improvements.

In addition to using cash when appropriate, the City issues General Obligation bonds to fund infrastructure improvement, including police and fire stations, park improvements, library projects and some street projects. In addition, local sales tax bonds are issued for road, bridge and freeway improvements. The prudent use of debt financing enhanced the capacity to complete improvements and enhanced inter-generational equity. The City maintains an

excellent AA bond rating (Standard and Poor's), which helps lower interest costs for local taxpayers. Any significant reduction on an important revenue stream such as local sales tax dollars would not escape notice by rating agencies and would be viewed in a negative light. This could raise future interest rates on City debt and reduce capacity for future infrastructure improvements.

One half of city sales tax dollars received from the county-wide levy are credited to the General Fund, which finances important community priorities including public safety, street maintenance and quality of life expenditures. The impact of Senate Bill 248 would require a re-examination of the funding for General Fund financed operating expenditures. The city budget process is directly influenced by community feedback and priorities, and the revenue reductions would likely result in lower service levels, which would likely be unacceptable to local residents. The City has budgeted \$700,000 to enhance mental health service in police responses, increased fire fighter staffing by 42 positions (currently through the use of federal grant dollars), improved fire fighter wages, eliminated library material late fees and enhanced circulation material purchases, increased tree planting to support the local tree canopy, and improved maintenance of public green space and park lands. The continuation of these initiatives could be jeopardized if General Fund revenues are reduced.

While the City recognizes the benefits to local residents of reducing the state sales tax rate on food purchases, options for the City to replace lost revenue are very limited. A very small portion of City revenues for operations and capital improvements can be adjusted, since they are based on state statute in some cases, and by long-term ordinances in other cases. In addition, the city prudently bases annual budgets on much longer-term financial plans to ensure consistent and sustainable service delivery for local residents. Debt financed infrastructure improvements are specifically based on ten to fifteen year planning horizons. A significant reduction in local revenues, implemented as early as 2024 would jeopardize this approach and cause service level swings that are detrimental to local residents.

The City values the many past efforts of the Legislature to support local communities and residents. This has included many partnerships with the City of Wichita and other local governments in our area. Local residents are the beneficiaries specifically of infrastructure improvements and enhanced economic viability as the result of legislative actions. However, Senate Bill 248 would jeopardize the City of Wichita's efforts to contribute to many of the same objectives, and would result in impacts on local residents that would be detrimental and not aligned with community priorities.