



February 11, 2021

The Honorable Sen. Caryn Tyson, Chair
Members of the Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

RE: Testimony in OPPOSITION to SB 87, Discontinuing apportionment of countywide retailers' sales tax imposed for general purposes between the county and cities located therein.

Dear Senator Tyson,

Thank you for allowing the City of Lenexa to submit testimony regarding SB 87. The City opposes the bill.

SB 87 undermines the traditional framework by which cities and counties have shared resources to fund essential local services, programs, and infrastructure. In Johnson County, as in many of the counties across the state, sales and use taxes are generated primarily within the city limits of an incorporated city. Likewise, the bulk of the population, services, and infrastructure those taxes support are also within incorporated cities. For this reason, the current formula for apportioning countywide retailers' sales tax between counties and cities is both fair and reasonable and should be maintained.

In Lenexa alone, the bill would sweep approximately **\$6.6 million annually** in sales and compensating use tax out of the City's General Fund.

For perspective, to absorb a loss of \$6.6 million in revenue the City of Lenexa must either raise the property tax mill levy by over five (5) mills or reduce services to our community in a corresponding amount. A \$6.6 million reduction to services is the equivalent of:

- ★ **54%** of the FY 2021 Fire Department budget
- ★ **66%** of the FY 2021 Public Works budget
- ★ **88%** of the FY 2021 Parks & Recreation budget
- ★ **114%** of Lenexa's average annual local road and bridge maintenance budget

As you can see, these reductions would create devastating impacts to the City's budget and its ability to deliver these critical services to our community.

The bill allows but does not require the county to share sales and use tax revenue with cities by way of an interlocal agreement. This creates numerous practical administrative and political challenges that do not exist today and which leave city governments at the mercy of county governments on important budgetary matters. If cities and counties



cannot reach agreement on the apportionment, cities will have little recourse but to backfill revenue they have relied upon to deliver services and fund infrastructure in other ways.

At a time when reducing the tax burden on individual taxpayers is the focus of many state legislative measures, it is important to note that SB 87 may do just the opposite. The bill does not remove a county's sales tax levy from sales that occur within a city; it merely apportions that revenue elsewhere. Faced with a loss of revenue and coupled with the promises made to citizens in reliance on the receipt of that revenue, cities may have to raise property taxes or the local option sales tax to bridge the revenue gap – a disappointing result for all taxpayers.

The current apportionment system works and has served counties and cities well to fund essential local government services and infrastructure needs. Changing the structure of this revenue sharing arrangement will only frustrate and complicate local budgeting and decision making. The outcome will likely also frustrate taxpayers since it also does not ease their tax burden – and may add to it in the long run.

Therefore, the City urges the Committee to deny the passage of SB 87.

Respectfully,

City of Lenexa

A handwritten signature in blue ink, appearing to read "Rebecca Yocham", with a long horizontal flourish extending to the right.

Rebecca Yocham, City Manager

cc: Mike Boehm, Mayor
Members, Lenexa City Council
Mike Nolan, Assistant to the City Manager
Doug Robinson, CFO