

CITY MANAGER'S OFFICE
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March 10, 2020

RE: City of Salina Written Testimony in Opposition to Senate Bill 248

Dear House Taxation Committee and To Whom It May Concern:

I am writing to you today on behalf of the City of Salina and as authorized by a formal 5-0 vote of the Salina City Commission to express opposition to Senate Bill 248's provisions to exempt local sales taxes on food.

The Fiscal Note for SB248 as originally written to exempt state sales tax on healthy food only indicated that that "the Department of Revenue assumes that 15.0 percent of all current sales tax collections are collected on these items" (healthy foods). For the City of Salina, a 15% reduction in sales tax revenue equates to \$3.6M annually which is equivalent to the revenue generated by 7.27 mill of City property taxes. If City property taxes were adjusted to offset the lost sales tax revenue associated with a healthy foods exemption, a 23.95% increase would be required. It is important to note that the estimates of financial impact provided above are based on exempting healthy foods only. The impact of exempting all foods is unknown, but it would undeniably be much more.

Kansas has a long history of affording local governments local control through Home Rule Authority. We would respectfully request that local authority over tax structure, budget and local services not be altered so significantly, abruptly and unilaterally as has been proposed in SB248 as amended.

Additionally, I understand that there has been some conversation about the possibility of "leaving cities whole" by committing alternate state funds to replace their lost sales tax revenue. The possibility of replacing local authority in general and revenue sources in particular with dependence on annual State financial allocations injects a disconcerting amount of uncertainty and unpredictability in to local finances and service provision. A review of the financial challenges the State of Kansas has historically faced as well as the widely varying approaches that have been employed regarding funding and/or defunding the State's financial commitments certainly demonstrates that such a commitment would be subject to annual appropriation and might not be able to be consistently relied upon.

If you have any questions or if I can be of additional assistance, I would be happy to respond in any way that I can.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael D. Schrage", is written over a horizontal line.

Michael D. Schrage
City Manager