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To: Senate Assessment and Taxation Committee

From: Becky Berger, City Manager, City of Atchison

Date: March 12, 2020

Re: Testimony in opposition to SB 396, Countywide Sales Tax Apportionment

Honorable Chairwoman Tyson and Committee Members,

Thank you for giving me the opportunity to speak on behalf of the City of Atchison in opposition to SB 396, which eliminates the countywide sales tax apportionment formula that has worked well for cities and counties for decades. This legislation is a major redistribution of tax dollars from cities to counties, and seems to largely be borne from a disagreement between two local units of government, the City of Atchison and Atchison County, over a 1% general use sales tax for law enforcement joint communications and solid waste disposal, and there is no need for a statewide fix to this issue.

Atchison's countywide sales tax, and every other countywide sales tax in the state was voted on by the taxpayers in those counties and cities, under the existence of the apportionment formula. To eliminate that formula and send 100% of the sales tax revenue to the counties is essentially telling the local voters that they don't know what they voted for and reversing voter intent.

This legislation has been pushed by an Atchison County citizen that doesn't believe voter intent in 1993 is being carried out by the apportionment formula. Two small local units of government can't reach an amicable compromise, so the state legislature works legislation to fundamentally change apportionments statewide. I do understand the desire to be responsive to your constituents, but this bill will not solve the disagreement in Atchison County, and it will surely cause fierce division in counties and cities across the state.

It's important to understand why the disagreement between Atchison County and the City of Atchison exists, and to clear up some misinformation being circulated that the City of Atchison is keeping all the money and not giving any to the County. Atchison County is already receiving more than 70% of the tax. The county gets 47.6% directly apportioned using the current model, and another 22.7% flows through cities and back to the county through local agreements. This creates more than enough money to fund joint communications and solid waste at the county level. There have been no shortages to date, as best anyone can tell.

In 2018, 81% of the countywide sales tax was generated within Atchison city limits. There is certainly an argument to be made that the City should be getting a larger apportionment given that the funding for these services would not exist but for the City's infrastructure that supports the local economy. Currently, the city keeps 22% of the money to help fund local solid waste



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collections – following voter intent. Yet the county wants all of the tax revenue despite not actually showing a need for more funding. Atchison County wants a slush fund and this legislation would create one at the expense of local taxpayers.

In addition to the local apportionments distributed directly to the county, the City of Atchison gives the county an additional \$450,000 each year to help fund joint communications and solid waste. It's an annual payment that rises each year with the rate of inflation. Even so, there is no direct accounting link between this transfer of funds and actual usage of those funds to support solid waste and joint communications. The county can't even produce a paper trail that shows that money goes where it's intended. This is a government entity that has 18 significant deficiency findings (or worse) by auditors since 2015. Many of the deficiencies carried through year-over-year, indicating an unwillingness to abide by generally accepted responsible accounting practices. Giving this local government entity more unfettered money would be irresponsible.

This is an issue between the City of Atchison and Atchison County, one that can be resolved locally, without legislative action. It just takes a willingness of both parties to work together, compromise, and be transparent with finances and intentions. The City of Atchison urges you not to pass out SB 396.