



March 10, 2023

The Honorable Adam Smith, Chair
Members of the House Committee on Taxation
300 SW 10th Street
Topeka, Kansas 66612

RE: Testimony in OPPOSITION to SB 248

Chairman Smith and Committee Members,

Thank you for the opportunity to submit testimony regarding SB 248. The City opposes the bill.

Eliminating the ability of local governments to levy their small proportion of sales tax on groceries will be financially harmful to the City of Lenexa and communities throughout Kansas, will only increase reliance on property taxes, and will jeopardize many critical City projects and functions.

In Lenexa, the local share of sales tax accounts for approximately \$32 million in the FY 2023 budget, our second largest source of revenue. Some of the largest sales tax generators in our community are two wholesale shopping clubs and seven grocery stores, all of which garner a substantial percentage of their sales from food. We estimate the impact of enacting SB 248 will result in a reduction in sales tax revenue to the City of Lenexa of approximately **\$3-4 million annually**. This lost revenue is roughly equivalent to:

- The value of 2.000-2.500 mills of property tax;
- Nearly 20% of the Lenexa Police Department's total annual budget; or
- The cost of two fire trucks.

Unlike property tax, which is paid solely by our residents, for Lenexa and other communities in the Kansas City metro, a large portion of the sales tax is paid by visitors to our community, many from Missouri and other areas outside the region.

The City has lowered its mill levy each of the last five years and hopes to do so again for FY 2024. However, if SB 248 is enacted, that mill levy reduction may not be feasible. Sales tax in Lenexa funds important community priorities such as our annual pavement maintenance program and a variety of parks and recreation functions, including annual playground equipment replacement. Moreover, the City has pledged sales tax to pay outstanding debt for a number of projects, including the Lenexa Justice Center and the Lenexa Recreation Center. These obligations must be paid from another source if the sales tax collections are not sufficient, and cities simply do not have another alternative revenue source from which to do so.

For these reasons, the City is opposed to SB 248 and urges the Committee to reject this damaging legislation. Thank you for your consideration.

Respectfully,

CITY OF LENEXA
Mike Boehm, Mayor

cc: Lenexa City Council
Becky Yocham, City Manager