

March 9, 2020

To: The Honorable Kansas Representative Steven Johnson Chair, and House Taxation Committee Members

From: Blake Jorgensen, City of Ottawa City Commissioner

Re: Testimony in Opposition to HB 2656

Chairman Johnson and Committee Members,

I am appreciative of the opportunity to speak to you in opposition of HB 2656 on behalf of the City of Ottawa. I have served several terms as an elected City Commissioner and have been honored to serve as Mayor several times as well. I give you that information as foundation to my remarks so that you understand I have had considerable experience in helping to develop city budgets and clearly recognize that this bill could have a disastrous impact upon our citizens and clearly have a negative impact upon the property tax base which is what this Committee has been working on to address in other bills.

Quite simply, Franklin County levies a 1.5% sales tax on a countywide basis which all cities pay. In 2019, it is estimated that this tax generated an estimated \$4,888,542 in revenue. It is estimated that at least 70% of that tax was generated from the retail base in Ottawa. The City budgeted amount in 2019 for the portion of the County Sales Tax and Compensating Use tax was \$1,316,687. Based upon the estimated value of a mill at budget time (\$93,599), this amount equaled approximately 14.067 property mills that were **not** levied on the Citizens of Ottawa. It should also be noted, approximately 50% of the citizens of Franklin County are also citizens of Ottawa city and 40% of the county's valuation is located within the city limits. In almost every County that levies a sales tax, most collections likely come from the cities where the retail centers are located.

We have a very close relationship with the Franklin County Commission and the City Commission meets with them on a monthly basis. We have even entered into several joint funding agreements including the local economic development function, the county's 911 emergency call center and a major new industrial park. Any reduction in the amount the city receives from the county-wide sales tax will be devastating on the city's ability to perform within those agreements. Other areas that will likely need to be more closely scrutinized are county wide taxes levied for rural county road maintenance with no funds being distributed to maintain roads within city limits.

The proceeds of our share of the County Sales Tax stays in the City General Fund and is used to fund general operations of the City especially public safety, streets, and economic development among others. The current formula, which has been in effect for over thirty years, was an equitable agreement reached then and remains so to this day. If cities are no longer able to share in a portion of the sales tax, it will affect the property tax and the level of services to our citizens.

I might also add that it is my understanding that this issue arises out a dispute between one City and an individual. Good public policy is formulated on what is best for everyone and the Legislature should not have to be involved in a dispute that is best settled by the local governments involved.

I appreciate the time you have allowed me to share our concerns on HB 2656. I respectfully request that you not vote to approve the bill. I am happy to answer any questions you might have of me today.

Respectfully submitted,



Blake Jorgensen
City Commission



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