



Date: March 16, 2022
To: Chairman Smith & the House Committee on Taxation
From: City of Derby
Re: Written Testimony in Opposition to HB 2738

Thank you for allowing the City of Derby to submit testimony in opposition to HB 2738. The City of Derby opposes this bill primarily due to the detrimental impact it would have on city residents and business by allowing counties to unilaterally remove revenue sharing with cities from future countrywide sales taxes placed on the ballot.

As currently worded, HB 2738 has the strong potential to disrupt Derby's revenue sources. Derby receives approximately 4-5% of the countywide one cent sales tax. This totaled \$5.23 million in revenue for the City in 2021 and represents our second largest revenue source behind property tax. The potential changes outlined in this bill could impact our ability to keep property taxes low, adequately fund public safety programs, and maintain our city streets and infrastructure.

Additionally, this legislation changes the sales tax structure in a way that it puts further weight on city residents to pay the cost of county services with no direct benefit. Nearly 93% of the people who live in Sedgwick County live in a city. Very few sales tax generating businesses are located in the county areas outside of cities. In fact, 90% of sales taxes collected in Kansas are generated within city limits.

Since 1978, the formula for countywide sales tax revenue sharing has been employed across the state. What makes this a formula of success is that it was created as a result of compromise between cities and counties. It's a formula that benefits citizens, businesses, and local government as a whole and the City of Derby sees no reason to disrupt that formula.

Thank you again for the opportunity to submit testimony in opposition of HB 2738.