

To: The Senate Committee on Assessment and Taxation
From: City of Olathe
Subject: Testimony in opposition to HB 396
Date: March 12, 2020



Dear Chair Tyson, Vice Chair Kerschen, Ranking Member Holland, and Committee Members,

Please consider this letter our testimony in opposition to Senate Bill 396.

This bill would end the long-standing state policy of splitting the countywide retailers' sales tax between cities and the counties in which they are located. The bill would have a significant impact on the current budget of the City of Olathe, and every other City in the state. If the sales tax is redirected effective July 1, 2020 Olathe would experience an estimated \$7.8million loss of revenue in 2020 and \$16 million annually going forward.

Annually 8% of the City of Olathe's debt service revenue is from the countywide sales tax. These funds maintain the construction, maintenance, and care of transportation infrastructure of the City. Without this infrastructure, residents of our community and the surrounding communities would not have access to retailers, thus diminishing the retailers' sales. Additionally, City care of the transportation infrastructure allows delivery vehicles to reach residential consumers quickly and safely. Without the City constructing and resurfacing streets, fixing potholes, and plowing away the snow, fewer people are shopping in stores and buying things over the internet.

The majority of Johnson County sales tax is generated within the corporate boundaries of the jurisdictions within the County. 22% of the Johnson County sales tax is generated within the City of Olathe. Without our construction and maintenance of infrastructure the County would see an overall reduction in revenue.

We are cognizant of consumers' price sensitivity to changes in sales tax. Maintaining a revenue sharing program between Counties and Cities maximizes the revenues collected to provide services and programs to residents across the community. The current system has been in place for decades. We urge you to carefully consider the unintended consequences of making this drastic change without careful consideration.

In conclusion, for the above reasons we express our opposition to Senate Bill 396 and ask that you do not advance the bill. Please feel free to contact Director of Resource Management, Dianna Wright if you have questions or if you would like further information. She can be reached at (913) 971-8680 or DSWright@OLATHEKS.ORG.