

February 27, 2020

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185A-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2684 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2684 is respectfully submitted to your committee.

HB 2684 would create the Property Tax Reduction and Stabilization Act and would reduce the state's uniform mill levy to fund expenditures for school districts from 20-mills to 19-mills for school year 2020-2021 and would set the mill levy rate at 18-mills for school year 2021-2022. The bill would put a procedure in place that would allow the mill levy rate to be reduced in future tax years based on the increases of the statewide property valuation and the amount BASE aid for school districts.

The Department of Revenue estimates that HB 2684 would decrease state property tax revenues by reducing the state's uniform mill levy to fund expenditures for school districts. The Department of Revenue estimates this bill would decrease property tax revenues by a total of \$37.7 million in tax year 2020 (school year 2020-2021 or FY 2021) and \$78.9 million in tax year 2021 (school year 2021-2022 or FY 2022). The Department indicates that the bill also has the potential to reduce property tax revenue in future years compared to current law with the mill levy rate reduction procedures; however, the Department did not provide an estimate of the fiscal effect of the bill beyond tax year 2021. The estimate assumes that property valuations are estimated to increase by approximately 4.5 percent each year and the growth rate of residential exempt property is approximately 0.5 percent.

The Department of Education indicates to the extent that less property tax revenue would be available from the state's uniform mill levy to fund expenditures for school districts, the state would be required to provide more state aid from the State General Fund through the school finance formula. The bill would require an additional State General Fund appropriations to fund

expenditures for school districts of \$37.7 million in FY 2021 and \$78.9 million in FY 2022. Any fiscal effect associated with HB 2684 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in cursive script that reads "L. L. Campbell". The signature is written in black ink and is positioned above the printed name and title.

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Dale Dennis, Education