

January 27, 2020

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 268 by Senator Doll

In accordance with KSA 75-3715a, the following fiscal note concerning SB 268 is respectfully submitted to your committee.

SB 268 would transfer a total of \$54.0 million from the State General Fund to the Local Ad Valorem Tax Reduction Fund (LAVTRF) in FY 2021 (half on July 15, 2020 and half on January 15, 2021). The bill sets the LAVTRF transfer in future fiscal years at \$54.0 million instead of reverting back to the original statute that ties future transfer amounts to a percentage of retail sales and compensating use taxes collected during the previous calendar year. Under current law, the State General Fund transfer to the LAVTRF is set to resume in FY 2022 with a total transfer amount of \$54.0 million (half on July 15, 2021 and half on January 15, 2022). The bill also requires that all LAVTRF transfers would be considered demand transfers. The bill would take effect upon publication in the *Kansas Register*.

SB 268 would reduce State General Fund revenues by \$54.0 million in FY 2021 by resuming the State General Fund transfer to the LAVTRF. The last State General Fund transfer to the LAVTRF occurred in FY 2003 and transfers have routinely been suspended in appropriations bills. Changing the designation of the transfer made in FY 2021 from a revenue transfer to a demand transfer would have implications on how the 7.5 percent ending balance is calculated because State General Fund demand transfers are considered to be State General Fund expenditures for purposes of calculating the ending balance requirement.

The State Treasurer indicates the bill would require it to implement minor computer programming changes in order to apportion and pay amounts transferred to counties based on population and assessed valuation. The State Treasurer indicates that the programming costs are estimated to be negligible and could be absorbed within existing resources. The League of Kansas

Municipalities and the Kansas Association of Counties indicate that the bill would provide additional resources to local governments for property tax relief. With the exception of changing this transfer to a demand transfer, the fiscal effect associated with SB 268 is reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and a long, sweeping underline.

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Trey Cocking, League of Municipalities
Jay Hall, Association of Counties
Jennifer Hermann, Office of the Treasurer