

February 3, 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 294 by Senator Tyson, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning SB 294 is respectfully submitted to your committee.

SB 294 would require each taxing subdivision or taxing district to calculate the certified tax rate on or before July 1st of each year. The certified tax rate is the tax rate for the current year that would generate the same property tax revenue as levied the previous year using the current year's total assessed valuation. The certified tax rate would be calculated by dividing the property tax revenue for the taxing subdivision or taxing district that is levied for the previous year by the total of all taxable assessed valuations certified by the county clerk and then multiply the quotient by 1,000 to find the rate in mills expressed to the third decimal place. The bill indicates that the purpose of the certified tax rate is to promote truth in taxation.

The governing body of each taxing subdivision or taxing district would be required to submit their calculated certified tax rate and supporting documentation to the Director of Accounts and Reports of the Department of Administration on or before July 1st of each year. The Director would be required to review the calculated certified tax rate for compliance and accuracy and notify the governing bodies of the results of the review before August 1st of each year. The governing body of each taxing subdivision or taxing district would be required to submit their final certified tax rate to the Director using a standard form on or before August 1st of each year. The Department of Administration would be required to make copies of the submissions and notifications available to the public on its website no later than September 1st of each year.

The bill prohibits the governing body of a taxing subdivision or taxing district to levy a tax rate in excess of the certified tax rate unless a resolution or ordinance has been approved by the governing body. The notice of the intent to exceed the certified tax rate would be required to be

published in the official county newspaper and on their website at least 10 days in advance of the public hearing. The county clerk would also be required to notify each taxpayer with property of the governing body’s intent to exceed the certified tax rate at least 10 days in advance of the public hearing. The public hearing would be required to occur on or before September 15th of each year. If the governing body of each taxing subdivision or taxing district does not adhere to the notification and public hearing requirements, then the governing body would be required to refund property taxes collected over the certified tax rate to each taxpayer. This new requirement would not apply to school districts and taxing subdivisions or taxing districts that receive \$5,000 or less in property tax revenue in the current year.

Estimated State Fiscal Effect				
	FY 2020 SGF	FY 2020 All Funds	FY 2021 SGF	FY 2021 All Funds
Revenue	--	--	--	\$90,000
Expenditure	--	\$15,000	--	\$74,000
FTE Pos.	--	--	--	0.50

The Department of Administration indicates SB 294 would require a total of \$15,000 from the Municipal Accounting and Training Services Recovery Fund in FY 2020 to hire two temporary employees to assist in the collection of information and develop compliance review methodology. For FY 2021, to continue implementation, the Department would request \$74,000 from the Municipal Accounting and Training Services Recovery Fund. Included in the FY 2021 cost estimate is \$23,000 for three temporary employees that would be hired during July and August of 2021 to meet the first year compliance and accuracy review requirements under the provisions of the bill, \$20,000 for one-time website portal development costs that would allow taxing subdivisions and taxing districts to automate the collection of the certified tax rate and supporting documentation and notices, and ongoing costs of \$31,000 for the salaries and wages of 0.50 FTE positions. Existing appropriation bill language allows the Department to charge fees to recover certain costs for services provided to taxing subdivisions or taxing districts. The Department indicates that it would charge a \$30 fee to each taxing subdivision or taxing district to recover its costs, which would raise approximately \$90,000 from the approximately 3,000 taxing subdivisions or taxing districts that would be required to follow these new requirements.

The Department of Revenue indicates that the bill would have no fiscal effect on state property tax revenue. The bill would have no fiscal effect on the operations of the Department of Revenue or the Board of Tax Appeals.

The Kansas Association of Counties and the League of Kansas Municipalities indicate the bill would require substantial administrative costs for local governments, by requiring additional staff time to calculate the certified tax rate and the costs to notify taxpayers if a governing body intends to exceed the certified tax rate. Additionally, if a governing body of a taxing subdivision or taxing district does not adhere to the notification and public hearing requirements, then they

would be required to issue refunds to each property taxpayer. The Association and League note that it is also possible for the costs to process and mail the refund would exceed the actual refund amount. Any fiscal effect associated with SB 294 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in cursive script, appearing to read "L. L. Campbell".

Larry L. Campbell  
Director of the Budget

cc: Jeff Scannell, Department of Administration  
Lynn Robinson, Department of Revenue  
Jody Allen, Tax Appeals  
Trey Cocking, League of Municipalities  
Jay Hall, Association of Counties  
Dale Dennis, Education