

March 6, 2023

The Honorable Adam Smith, Chairperson
House Committee on Taxation
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2364 by Representative V. Miller, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2364 is respectfully submitted to your committee.

Under current law, in Tax Year 2022, the first \$40,000 of appraised residential property valuation is exempt from the 20-mill property tax. Then, in Tax Year 2023 and in each subsequent year, the \$40,000 exemption amount is adjusted to reflect the average percentage change in the statewide residential valuation for the preceding ten years. HB 2364 would exempt the first \$65,000 of appraised residential property valuation in Tax Year 2024, with subsequent annual adjustments based on the average percentage change in the statewide residential valuation for the preceding ten years. The bill would become effective on January 1, 2024.

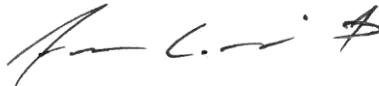
According to the Department of Revenue, with the enactment of HB 2364, raising the exemption to \$65,000 in Tax Year 2024 (FY 2025) would reduce revenues generated from the 20-mill school levy by approximately \$55.6 million, \$58.8 million in FY 2026, and \$62.3 million in FY 2027.

The Division of the Budget notes that the estimated reduction in revenues from the 20-mill school levy would require an offsetting appropriation for State Foundation Aid from the State General Fund to keep the Base Aid for Student Excellence (BASE) in the school finance formula at \$5,421 for FY 2025, as included in *The FY 2024 Governor's Budget Report*. If HB 2364 would be enacted without a corresponding increase to the State General Fund appropriation for State Foundation Aid, the Department of Education would have to prorate the BASE by reducing state aid to school districts by approximately \$81 per weighted FTE student, using an estimated 682,380 weighted FTE students (excluding weighting for special education FTE students) in FY 2025

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(\$55,600,000 / 682,380 FTE students = \$81 proration). Any fiscal effect associated with HB 2364 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Craig Neuenswander, Department of Education