

SESSION OF 2024

**SUPPLEMENTAL NOTE ON SENATE SUBSTITUTE FOR
HOUSE BILL NO. 2026**

As Recommended by Senate Committee on
Assessment and Taxation

Brief*

Senate Sub. for HB 2026 would make various changes to state fund transfers related to local governments.

The bill would combine, beginning in FY 2026, two annual transfers of \$27.0 million into a single transfer of \$54.0 million made on January 15 from the State General Fund to the Local Ad Valorem Tax Reduction Fund (LAVTRF).

The bill would provide that political subdivisions of the state are only eligible to receive funds from the LAVTRF when their ad valorem tax to be levied for the coming year is equal to or less than the ad valorem tax levied the preceding year. The amount of the tax to be levied would then be reduced by the amount of distribution from the LAVTRF.

The bill would authorize political subdivisions to not participate in distributions from the LAVTRF. Such distributions that are not used by taxing entities would be required to be returned to the State Treasurer within 30 days of receipt by county treasurers.

The bill would also abolish the County and City Revenue Sharing Fund (CCRSF) and eliminate statutory transfers from the SGF to the CCRSF and the Special City and County Highway Fund. All moneys and liabilities of the CCRSF would be transferred to the SGF.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

[*Note:* The Special City and County Highway Fund, which also receives revenue from motor fuels taxes, would not be abolished by the bill.]

Background

HB 2026 was introduced by Representative Ellis and concerned the filing of releases for tax warrants. The provisions were enacted by 2023 HB 2002.

The Senate Committee on Assessment and Taxation removed the contents of the bill and inserted the amended contents of SB 536.

SB 536

SB 536 was introduced by the Senate Committee on Assessment and Taxation at the request of Senator Erickson.

Senate Committee on Assessment and Taxation

In the Senate Committee hearing, written-only proponent testimony was provided by representatives of Kansas Association of Realtors and Kansas Policy Institute.

Neutral testimony was provided by a representative of League of Kansas Municipalities.

Written-only neutral testimony was provided by representatives of Americans for Prosperity–Kansas and Kansas Association of Counties.

The Senate Committee amended the bill to change the LAVTRF transfer to a single \$54.0 million transfer and to insert the provisions eliminating transfers to the CCRSF and Special City and County Highway Fund and abolishing the CCRSF.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the bill would have no fiscal effect unless transfers from the SGF to the LAVTRF, which have not occurred since FY 2003, are resumed.

Under current law, transfers to the LAVTRF are scheduled to resume in FY 2026 at \$54.0 million. Transfers to the CCRSF and Special City and County Highway Fund are also scheduled to resume in FY 2026 at \$102.0 million and \$11.5 million, respectively.

The FY 2025 Governor's Budget Report includes resuming transfers to the LAVTRF in FY 2025.

Transfers; Local Ad Valorem Tax Reduction Fund; County and City Revenue Sharing Fund; revenue neutral rate