

March 7, 2025

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 2396 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2396 is respectfully submitted to your committee.

HB 2396 would create a protest petition process that allows voters to limit funding of a taxing jurisdiction by property tax revenues that exceed the amount collected in the previous year. The bill would allow the property tax revenues to be adjusted with the Consumer Price Index for All Urban Consumers in the Midwest Region as published by the Bureau of Labor Statistics of the U.S. Department of Labor and allow for increased property tax revenue from new construction. These provisions would not apply to the State of Kansas or a school district. The protest petition contesting the increase in property tax revenues for the taxing jurisdiction would be valid if it is signed by at least 10.0 percent of the qualified voters of the votes cast for the Office of Secretary of State in last General election and filed within 30 days after the taxing jurisdiction certifies the increase to the county clerk. A valid protest petition would prevent an increase in property tax revenue above the allowable amount.

The bill would create the Acknowledging Stewardship of Tax Revenue and Appropriations (ASTRA) Fund. This fund would receive a demand transfer of \$60.0 million from the State General Fund on July 15, 2025, and the demand transfer would increase by 2.0 percent in each future fiscal year. The State Treasurer would be required to calculate the apportionment of funds for distribution to counties and cities that comply with the tax limitation provisions, with 65.0 percent of the allocation based on population and 35.0 percent based on assessed property valuations. The Director of Property Tax Valuation at the Department of Revenue would be required to certify to the State Treasurer whether the county's or city's budget exceeds the

allowable property tax levied in that taxing jurisdiction and qualifies for payments from the ASTRA Fund. Before January 15th of each year, the State Treasurer would make payments to each eligible county and city. The bill would also eliminate the current revenue neutral rate requirements and the Taxpayer Notification Costs Fund.

| Estimated State Fiscal Effect |         |              |              |
|-------------------------------|---------|--------------|--------------|
|                               | FY 2025 | FY 2026      | FY 2027      |
| <b>Expenditures</b>           |         |              |              |
| State General Fund            | --      | \$60,000,000 | \$61,200,000 |
| Fee Fund(s)                   | --      | --           | --           |
| Federal Fund                  | --      | --           | --           |
| Total Expenditures            | --      | \$60,000,000 | \$61,200,000 |
| <b>Revenues</b>               |         |              |              |
| State General Fund            | --      | --           | --           |
| Fee Fund(s)                   | --      | --           | --           |
| Federal Fund                  | --      | --           | --           |
| Total Revenues                | --      | --           | --           |
| FTE Positions                 | --      | --           | --           |

The Department of Revenue estimates that HB 2396 would increase expenditures from the State General Fund by \$60.0 million in FY 2026, \$61.2 million in FY 2027 and \$62.4 million in FY 2028. Demand transfers from the State General Fund are treated as expenditures from the State General Fund for budgetary purposes.

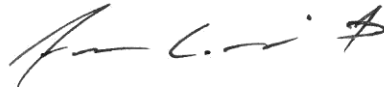
The Department of Revenue’s Property Valuation Division would be required to calculate and report current assessed valuations and distributions, and update forms and documents. The Department indicates that these costs are estimated to be negligible and could be absorbed within existing resources.

The State Treasurer indicates the bill would require it to implement minor computer programming changes in order to apportion and pay amounts to cities and 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 amounts expended from the ASTRA Fund would also be required to be included as expenditures in the State Treasurer’s budget beginning in FY 2026. Any fiscal effect associated with HB 2396 is not reflected in *The FY 2026 Governor’s Budget Report*.

The Kansas Association of Counties and the Kansas League of Municipalities indicate the bill would have indeterminate fiscal effect on local governments. Some taxing jurisdictions would benefit from distributions from the ASTRA fund while some tax jurisdictions might not be able to

complete an identified critical need identified by the taxing jurisdiction that would be denied by the protest petitions.

Sincerely,

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

Adam C. Proffitt  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Stephen Bauchum, Board of Tax Appeals  
Wendi Stark, League of Kansas Municipalities  
Jay Hall, Kansas Association of Counties  
Gabrielle Hull, Department of Education  
John Hedges, Office of the State Treasurer