

January 22, 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 2011 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2011 is respectfully submitted to your committee.

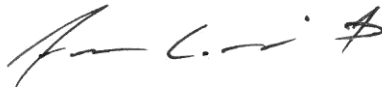
Current law authorizes a statewide 20.0 mill ad valorem residential property tax for the purpose of financing a school district's general fund budget that is not financed from any other source provided by law. HB 2011 would reduce this tax from 20.0 mills to 18.5 mills in FY 2026. For FY 2027 and all subsequent years, the tax would be levied in an amount that would generate the same property tax revenue as levied in FY 2026, using the current year's total assessed valuation. The Director of Property Valuation of the Department of Revenue would calculate the tax rate for the annual adjustment. The tax would continue to be collected by local county treasurers and remitted to the State Treasurer to the credit of the State School District Finance Fund in the Department of Education.

The Department of Revenue estimates that the enactment of HB 2011 would decrease revenues to the State School District Finance Fund (SSDFF) by \$67.4 million in FY 2026, \$113.8 million in FY 2027, \$162.4 million in FY 2028, \$213.3 million in FY 2029, and \$266.7 million in FY 2030. The Department estimates an annual property valuation growth of approximately 5.0 percent per year, from FY 2026 through FY 2030.

Because the SSDFF partially funds State Foundation Aid in the K-12 school finance formula, any reduction to SSDFF revenue would require a corresponding increase to the State General Fund appropriation to keep the same level of funding to school districts. As a result, the State General Fund appropriation for State Foundation Aid would need to be increased by \$67.4 million in FY 2026 and \$113.8 million in FY 2027 from amounts included in *The FY 2026 Governor's Budget Report*. Without these corresponding additional State General Fund appropriations, the Base State Aid Per Pupil would be reduced from the Governor's recommendation by \$100 to \$5,511 in FY 2026 and by \$169 to \$5,762 in FY 2027.

The Department of Revenue indicates that the bill would not have an administrative cost to implement for the agency. Any fiscal effect associated with HB 2011 is not reflected in *The FY 2026 Governor's Budget Report*.

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
Gabrielle Hull, Department of Education