

SESSION OF 2025

SUPPLEMENTAL NOTE ON SENATE BILL NO. 35

As Amended by House Committee of the Whole

Brief*

SB 35, as amended, would create a property tax funding limit in cases of successful protest petitions, create a fund to provide payments to taxing jurisdictions not exceeding levels specified by the bill, repeal the revenue neutral rate notice and hearing requirements for taxing jurisdictions, and reauthorize the statewide school finance mill levy.

Property Tax Funding Limit

The bill would limit, in cases of a successful protest petition, the amount of ad valorem property tax revenue used to fund a taxing jurisdiction's budget to an amount equal to or less than the amount from the prior year, as adjusted for inflation, new construction, and certain bond payments.

Specifically, allowable increases in excess of the prior year's budget would be limited to increases associated with:

- The annual percentage increase of 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;
- The construction of new structures or improvements or the remodeling or renovation of existing structures or improvements, excluding ordinary maintenance and repair; and

*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 <https://klrd.gov/>

- The payment of a bond issue approved at an election held on or after July 1, 2025.

Any taxing jurisdiction adopting a budget in excess of the funding limit would be required to do so by a roll call vote of the governing body of the jurisdiction.

Any taxing jurisdiction not adopting its budget in a timely fashion would be subject to the funding limit without the requirement of a successful protest petition.

The funding limit provisions would not apply to the State or to school districts.

Protest Petition

The bill would authorize the use of a protest petition to contest any taxing jurisdiction budget that provides for funding by property taxes in excess of the funding limit provided for by the bill.

County treasurers would be required to maintain the protest petitions upon notification by county clerks that taxing jurisdictions approve a budget resulting in property taxes in excess of the allowed amounts. Protest petitions would be on standard forms provided by the Director of Accounts and Reports. The county treasurer would be required to post on the county website and social media, if such exists, the availability of protest petitions.

Qualified voters of a taxing jurisdiction would have 30 days to sign a protest petition following the date the jurisdiction's governing body certifies to the county clerk the amount of property tax to be levied. If qualified voters totaling at least 10 percent of the votes cast for the office of U.S. President in the most recent general election in the taxing district sign the protest petition, the taxing jurisdiction would be limited to a budget with property taxes from the prior year,

as adjusted for inflation, new construction, and certain bond payments, as described above.

If a taxing jurisdiction is required to amend its budget pursuant to a successful protest petition, the governing body of such taxing jurisdiction would be required to certify to the county clerk by October 1 the amount of property taxes to be levied.

The protest petition provisions would not apply in years in which no transfer is made from the State General Fund (SGF) to the Acknowledging Stewardship of Tax Revenue and Appropriations (ASTRA) Fund.

Protest Petition Notices and Notification Costs Fund

The bill would require county clerks to provide protest petition notices to each taxpayer with property in taxing jurisdictions exceeding the funding limit provided for by the bill including:

- An explanation of the protest petition process, including the availability and location of protest petitions, the deadline for signatures, website information where the protest petition form is available, and a phone number to call and request a protest petition to be mailed, and the consequences of a successful protest petition;
- The taxes levied of all taxing jurisdictions within the county for the current and previous year;
- The difference between the previous and current year tax levied expressed in dollars and percentages; and
- A clear and conspicuous identification of any taxing jurisdiction whose budget is subject to a protest petition.

The bill would require the notice to be in a format prescribed by the Director of Accounts and Reports and mailed to taxpayers unless the taxpayer and county clerk have each consented in writing to the notice being delivered by electronic means.

The bill would require the State to reimburse printing and postage costs incurred by county clerks for protest petition notices in 2025 and 2026 through payments from the Protest Petition Notification Costs Fund (Costs Fund) of the Department of Revenue, which would be created by the bill.

The bill would provide for transfers to be made from the State General Fund to the Costs Fund upon the certification of the amount of payments to be made from the Costs Fund.

The bill would require taxing jurisdictions included on the notice to reimburse any costs incurred by county clerks that are not reimbursed by the State.

ASTRA Transfers and Payments

The bill would create the ASTRA Fund. Under the bill, any city or county adopting a budget financed with property taxes equal to or less than the funding limit established by the bill would receive payments from the Fund.

The bill would provide for \$60.0 million to be transferred to the Fund from the SGF by a demand transfer on or before July 15. The transfer amount would increase by 2 percent per year in future years.

The amount transferred to the Fund would be apportioned across the counties, with 65 percent distributed according to county population and 35 percent distributed according to county assessed valuation.

The county government and each city government within the county would receive, on or before January 15 following

the transfer from the SGF to the Fund, a proportion of the county's apportionment based on the county or city's total assessed valuations used to calculate property taxes levied in the preceding year. Counties and cities meeting the funding limit requirement would be entitled to receive such payments, whether the county or city met the funding limit requirement as a result of a successful protest petition or the action of the governing body of the county or city in adopting its budget.

The bill would require funds paid to cities and counties to be used for services, including, but not limited to, roads and bridges, law enforcement, elections, public health and safety, or any other services mandated by law.

Any amounts not paid to cities or counties by virtue of the taxing jurisdiction adopting property taxes in excess of the allowed amount would be deposited in the State Treasury to the credit of the SGF. The State Treasurer would be required to report to the House Committee on Taxation and the Senate Committee on Assessment and Taxation a list of cities and counties receiving and not receiving payments from the Fund by January 31 of each year.

Revenue Neutral Rate Repeal

The bill would repeal the revenue neutral rate provisions requiring county clerks to send notices to taxpayers and taxing subdivisions to hold hearings and vote on budgets requiring a greater amount of property tax to be levied than the previous year.

The bill would also repeal and abolish the Taxpayer Notification Costs Fund, which is currently used to pay county printing and postage expenses associated with revenue neutral rate taxpayer notices.

Statewide School Finance Mill Levy

The bill would reauthorize the statewide school finance property tax levy at a rate of 20 mills for school years 2025-2026 and 2026-2027.

Background

The House Committee of the Whole removed the contents of the bill, concerning the elimination of state mill levies for certain state building funds and the replacement of revenue for those funds with transfers from the SGF, and inserted the provisions of HB 2396, as amended by the House Committee on Taxation, with further amendments:

- Establishing the Costs Fund and providing for the mailing of protest petition notices and the reimbursement of costs thereof;
- Providing for the payments from the ASTRA Fund to cities and counties to be based on taxable valuation within the tax districts rather than the amount of tax levied by the districts;
- Requiring a roll call vote by taxing jurisdictions in the adoption of a budget exceeding the funding limit established by the bill; and
- Reauthorizing the statewide school finance mill levy.

HB 2396

The bill was introduced by the House Committee on Taxation at the request of Representative A. Smith.

House Committee on Taxation

At the House Committee hearing, **proponent** testimony was provided by representatives of the Kansas Association of Counties, Kansas Association of School Boards, Kansas Farm Bureau, Kansas School Superintendents' Association, and United School Administrators of Kansas. The proponents generally stated the bill would eliminate revenue neutral provisions, which sometimes confuse taxpayers, and provide for property tax relief based on payments to local governments and the ability for taxpayers to protest certain tax increases by petition.

Written-only proponent testimony was provided by representatives of the Johnson County Board of County Commissioners, Kansas Legislative Policy Group, and National Federation of Independent Business.

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

Written-only neutral testimony was provided by a representative of the Saline County Board of County Commissioners.

Written-only **opponent** testimony was provided by a representative of the City of Overland park, generally stating the bill would enable a minority of the citizens of a taxing jurisdiction to block a budget that might be approved by a majority of the citizens.

No other testimony was provided.

The House Committee amended the bill to:

- Change the protest petition threshold from 10 percent of the number of votes cast in the most recent Secretary of State general election to 10 percent of the number of the votes cast in the most recent general election for U.S. President;

- Exclude property tax revenues dedicated to paying bond issues approved after July 1, 2025, from the calculation of property taxes triggering the protest petition opportunity and excluding the taxing jurisdiction from payments from the ASTRA Fund;
- Require annual reporting from the State Treasurer of a list of cities and counties receiving and not receiving payments from the ASTRA Fund;
- Require the Director of Accounts and Reports to provide a standard protest petition form; and
- Require protest petition availability to be posted on existing county social media.

[*Note:* Senate Sub. for HB 2396, as recommended by the Senate Committee on Assessment and Taxation, would create a property tax funding limit in cases of successful protest petitions, provide for the delivery of notices for such protest petitions, and make changes to the form required to be used for revenue neutral rate notices.]

Fiscal Information

According to the fiscal note on HB 2396, as introduced, the bill would increase SGF expenditures by \$60.0 million in FY 2026, \$61.2 million in FY 2027, and \$62.4 million in FY 2028. For budgetary purposes, demand transfers are considered expenditures from the fund from which moneys are being transferred out.

According to the Department of Revenue, transfers to the Costs Fund would reduce SGF receipts by \$1.4 million per year in FY 2026 and FY 2027.

The Department of Revenue and State Treasurer indicate the costs of implementation of the bill are negligible and could be absorbed within existing resources.

The Kansas Association of Counties and League of Kansas Municipalities indicate enactment of the bill would have an indeterminate fiscal effect on local governments.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2026 Governor's Budget Report*.

Taxation; property tax; protest petition; revenue neutral rate; notices; transfers; ASTRA Fund; Protest Petition Notification Costs Fund; mill levies; school finance mill levy