

February 15, 2013

The Honorable Richard Carlson, Chairperson  
House Committee on Taxation  
Statehouse, Room 285-N  
Topeka, Kansas 66612

Dear Representative Carlson:

**SUBJECT:** Fiscal Note for HB 2333 by Representative Davis, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2333 is respectfully submitted to your committee.

Under current law, the State General Fund will transfer \$27.0 million to the Local Ad Valorem Tax Reduction Fund in FY 2014, \$40.5 million in FY 2015, and \$54.0 million in FY 2016 and in each future fiscal year. HB 2333 would require that a total of \$45.0 million be transferred to the Local Ad Valorem Tax Reduction Fund in FY 2014 and in each future fiscal year. The bill would change the designation of the transfer made in FY 2014 from a revenue transfer to a demand transfer. The bill also includes language that would require local governments to use at least 80.0 percent of the amount that they receive from the Local Ad Valorem Tax Reduction Fund to reduce local property taxes.

Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	(\$18,000,000)	(\$18,000,000)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

HB 2333 would decrease State General Fund revenues by \$18.0 million in FY 2014. The decrease in revenues and how the November 6, 2012 consensus revenue estimate for FY 2014 would be affected are shown in the following table:

Effect on FY 2014 Consensus Revenue Estimates  
 (Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 6, 2012)	Change in Revenue FY 2014	Proposed Adjusted CRE FY 2014
Motor Carrier	\$ 39,000	\$ --	\$ 39,000
Income Taxes:			
Individual	2,385,000	--	2,385,000
Corporate	360,000	--	360,000
Financial Institutions	30,000	--	30,000
Excise Taxes:			
Retail Sales	1,952,000	--	1,952,000
Compensating Use	303,000	--	303,000
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	137,400	--	137,400
All Other Excise Taxes	99,600	--	99,600
Other Taxes	<u>151,500</u>	<u>--</u>	<u>151,500</u>
Total Taxes	\$5,555,500	\$ --	\$5,555,500
Other Revenues:			
Interest	\$ 9,700	\$ --	\$ 9,700
Transfers	(155,900)	(18,000)	(173,900)
Agency Earnings	<u>55,000</u>	<u>--</u>	<u>55,000</u>
Total Other Revenues	(\$ 91,200)	(\$ 18,000)	(\$ 109,200)
Total Receipts	\$5,464,300	(\$ 18,000)	\$5,446,300

The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
State General Fund	(\$4,500,000)	\$9,000,000	\$9,000,000	\$9,000,000

Under current law, the Local Ad Valorem Tax Reduction Fund is scheduled to receive \$27.0 million from the State General Fund in FY 2014 and the fiscal effect of increasing the transfer to \$45.0 million would reduce State General Fund revenues by a net of \$18.0 million. Transferring \$45.0 million to the Local Ad Valorem Tax Reduction Fund in FY 2015 would transfer an additional \$4.5 million over the \$40.5 million that is required under current law. Because the Local Ad Valorem Tax Reduction Fund is currently scheduled to receive \$54.0 million from the State General Fund in FY 2016 and in each future fiscal year, the bill would

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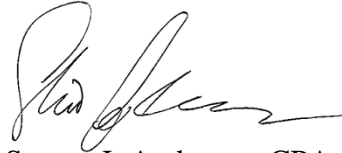
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increase State General Fund revenues by \$9.0 million in FY 2016 and in each future fiscal year by requiring that only \$45.0 million be transferred.

Changing the designation of the transfer made in FY 2014 from a revenue transfer to a demand transfer would have implications on how the 7.5 percent ending balance is calculated because State General Fund demand transfers are considered to be State General Fund expenditures for purposes of calculating the ending balance requirement. *The FY 2014 Governor's Budget Report* does not provide for any LAVTR transfer in FY 2014 or FY 2015.

The League of Kansas Municipalities and the Kansas Association of Counties indicate that the bill would provide additional resources to local governments; however, only local governments that reduce property tax revenues by at least 80.0 percent of the amount received in the preceding year would be eligible for this funding.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA  
Director of the Budget

cc: Steve Neske, Revenue  
Melissa Wangemann, Kansas Association of Counties  
Larry Baer, League of Kansas Municipalities