

January 28, 2015

The Honorable Marvin Kleeb, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Kleeb:

SUBJECT: Fiscal Note for HB 2019 by House Committee on Vision 2020

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2019 is respectfully submitted to your committee.

HB 2019 would increase the Education Building Fund (EBF) tax levy from one mill to four mills beginning in FY 2016. The additional three mills would be used for the following purposes

1. Upgrade broadband capabilities within and between the campuses, between Kansas educational institutions and other information technology networks located outside the state;
2. Increase data storage and computing capabilities to collect, store and use human genome data which will improve delivery of pharmaceuticals;
3. Maximize the benefits plant genomes research, especially related to lower water needs;
4. Increase research on aircraft design, flight performance and polymer and other composite manufacturing; and
5. Address other research priorities and infrastructure development and maintenance projects identified by the Board of Regents.

The Board of Regents may submit, before July 1, to the Secretary of Revenue a report showing the specific needs of each institution, the funding necessary to complete each project, and the amount of EBF that would be used for each project. The Board would publish the report in the *Kansas Register*. The Secretary of Revenue would notify each county treasurer that the Board has submitted the report and the tax levy would be imposed for the tax year.

The Department of Revenue states that the passage of HB 2019 is estimated to increase the revenue to the EBF, if the state increases the levy in FY 2017 and each fiscal year thereafter. If the statewide mill levy is increased from one mill to four mills on or before July 1, 2016, the valuation of tangible property and the tax for each tax year would be as follows:

Estimated Fiscal Effect
(in millions)

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	
Valuation of Tangible Property	\$33,004	\$33,615	\$34,237	
Tax 1 mill *	\$33	\$34	\$34	
Tax 4 mills*	\$132	\$134	\$137	
*Collected in the next tax year				
Increase Revenue	\$99	\$101	\$103	
	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Estimated Increase in Educational Building Fund Available	\$--	\$99	\$101	\$103

To develop these estimates, the Department examined the Statistical Report of Property Assessment and Taxation 2012 and 2013 and the calculation of the Division of Property Valuation. The Department of Revenue notes that property valuation increased between 2010 and 2014 at an average rate of 1.85 percent. It is assumed that rate of growth would continue.

The Board of Regents reports that the additional funding generated by HB 2019 would take additional staff time at the Board Office to review, track and approve EBF projects; however, currently the work could be absorbed by the existing staff. Any fiscal effect associated with HB 2019 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Kelly Oliver, Regents
Jack Smith, KDOR