

March 9, 2016

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

Dear Representative KleeB:

SUBJECT: Fiscal Note for HB 2717 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2717 is respectfully submitted to your committee.

Under current law, if a city or county passes a budget that requires additional property taxes compared to the previous year, with certain exceptions, then the budget would be required to be approved by voters beginning on January 1, 2018. HB 2717 would change the election requirement so that at least 5.0 percent of the electors would be required to sign a petition before an election would be required to approve the budget. The bill would change the measure to calculate inflation adjustments from the Consumer Price Index to the Municipal Cost Index. The bill would not require a local election to approve a budget that includes additional property taxes for the following exceptions:

1. Principal and interest on state infrastructure loans, bonds, temporary notes and no-fund warrants, payments made to a public building commission and lease payments;
2. Expenditures after July 1, 2015, that are specifically mandated by federal or state laws;
3. Expiration of a tax increment financing district, rural housing incentive district, neighborhood revitalization area, or any other similar property tax rebate or redirection;
4. Employer contributions for Social Security, workers compensation, unemployment insurance, health care costs, and employee retirement and pension programs;
5. Expenses incurred by the county for district court operations and detention of juveniles;
6. Expenses for law enforcement services, emergency medical services, mental health services, securing or retaining industries, and economic development programs;
7. Expenses related to a disaster or emergency declared by a federal official, state official, or municipal governing body; and

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8. Tax levies that cities or counties are required by law to levy on behalf of any political or governmental subdivision.

The Department of Revenue indicates HB 2717 would have no fiscal effect on state revenues. The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill has the potential to allow additional property tax revenues to be used for certain expenditures that would not require a local election to approve the budget. The Kansas Association of Counties and the League of Kansas Municipalities indicate that moving from the Consumer Price Index to the Municipal Cost Index would more accurately reflect the inflation rate for local government purchases. However, the Association and the League are unable to calculate the precise estimate of the fiscal effect on local governments from the enactment of HB 2717.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue
Larry Baer, League of Municipalities
Melissa Wangemann, Association of Counties