

February 23, 2020

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 466 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 466 is respectfully submitted to your committee.

Under current law, the State of Kansas receives property tax revenue each year from the 1.0 mill Education Building Fund (EBF) tax levy and the 0.5 mill State Institutions Building Fund (SIBF) tax levy. SB 466 would discontinue these property tax levies after tax year 2019 and authorizes an annual transfer from the State General Fund to these funds starting in FY 2021. The bill would transfer \$38.3 million from the State General Fund to the EBF on July 1, 2020, and on July 1st of each future fiscal year. The bill would transfer \$19.2 million from the State General Fund to the SIBF on July 1, 2020, and on July 1st of each future fiscal year. The bill removes outdated language on the EBF and SIBF, including language that allows the Director of Accounts and Reports at the Department of Administration to credit amounts to the EBF and SIBF for cashflow purposes.

SB 466 would reduce State General Fund revenues by a total of \$57.5 million in FY 2021 by authorizing transfers from the State General Fund of \$38.3 million to the EBF and \$19.2 million to the SIBF. The bill would decrease state property tax revenues by discontinuing the EBF and SIBF property tax levies. The Department of Revenue estimates this bill would decrease property tax revenues to these two funds by a total of \$64,341,828 in FY 2021, with \$42,855,099 from the EBF and \$21,486,729 from the SIBF. The reduction of property tax revenue of \$64,341,828 in FY 2021, includes a reduction of \$5,917,876 from motor vehicle property and \$58,423,952 from all other property subject to these tax levies.

The bill is estimated to have a net reduction of revenue to the state building funds of \$6,841,829 in FY 2021. Specifically, the EBF would receive \$4,555,099 less in revenue in FY 2021 (\$38.3 million in new revenue from the SGF transfer minus \$42,855,099 by discontinuing the property tax). The SIBF would receive \$2,286,729 less in revenue in FY 2021 (\$19.2 million in new revenue from the SGF transfer minus \$21,486,729 by discontinuing the property tax). The bill would also provide less revenues to the EBF and SIBF in future fiscal years as property tax

revenues are estimated to increase with property valuations each year, while the amount of the State General Fund transfers would remain constant each year. The property tax estimates (excluding motor vehicles) were developed jointly by the Department of Revenue, Kansas Legislative Research Department, and the Division of the Budget in November 2019 as part of the education consensus revenue estimating process. That process includes the assumption that approximately 3.0 percent of property taxes become delinquent and are collected in future years; however, the actual amount of delinquent property taxes varies from year to year. Delinquent property tax revenue that are collected in future fiscal years would be credited to the EBF and SIBF.

The Board of Regents indicates that the bill has the potential to provide less funding for the EBF that would be used to fund deferred maintenance projects at the state universities. According to the Board, the estimate of deferred maintenance backlog for state universities was \$966.0 million in the fall of 2018. The Board estimates that an annual amount of \$100.0 million is needed for on-going maintenance to prevent any further backlogs and to adequately maintain university campuses. The Division of the Budget notes that it is unknown if the State General Fund or other state resources would be used in the appropriation process to provide additional funding for projects that were previously funded with EBF dollars.

The bill has the potential to provide less funding to the SIBF. The SIBF is established in the *Kansas Constitution* for constructing, equipping, and repairing buildings at the state institutions for the mentally ill and developmentally disabled overseen by the Department for Aging and Disability Services, the state's juvenile correctional facility, the Schools for the Deaf and Blind under the Department of Education, as well as the veterans homes and cemeteries. *The FY 2021 Governor's Budget Report* indicates that a number of state agencies depend on monies available in the SIBF for their capital improvement projects. The Division of the Budget notes that it is unknown if the State General Fund or other state resources would be used in the appropriation process to provide additional funding for projects that were previously funded with SIBF dollars. Any fiscal effect associated with SB 466 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Luke Drury, Veterans Affairs
Kelly Oliver, Board of Regents
Lynn Robinson, Department of Revenue
Jeff Scannell, Department of Administration
Connie Hubbell, Aging & Disability Services
Jeanette Magathan, Schools for the Blind and Deaf
Randy Bowman, Corrections