

February 11, 2022

The Honorable Carolyn McGinn, Chairperson  
Senate Committee on Local Government  
Statehouse, Room 142-S  
Topeka, Kansas 66612

Dear Senator McGinn:

**SUBJECT:** Fiscal Note for SB 338 by Senate Committee on Local Government

In accordance with KSA 75-3715a, the following fiscal note concerning SB 338 is respectfully submitted to your committee.

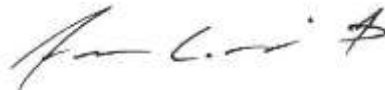
SB 338 would eliminate the property tax exemption for property purchased, acquired, constructed, reconstructed, improved, equipped, furnished, repaired, enlarged, or remodeled with all or any part of the proceeds of revenue bonds issued by the Kansas City Area Transportation Authority that is leased to a private entity. The bill would not allow the Kansas City Area Transportation Authority to use its sales tax exemption for constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing, or remodeling facilities that will be or are leased by a private entity. The bill would become effective on July 1, 2022.

The Department of Revenue indicates it is unaware of any property tax exemptions or sales tax exemptions provided by the issuance of bonds by the Kansas City Area Transportation Authority. If a future project includes the issuance of bonds and the project provides space that is leased by a private entity, then the bill has the potential to increase property tax revenues by eliminating a current exemption for certain property. The state could receive additional property tax revenues to the two state building funds, the Educational Building Fund and the State Institutions Building Fund. The bill could increase the amount of property tax revenues that school districts would receive through the state's uniform mill levy. The bill could also increase revenues to any local government that levies a property tax. However, the Department of Revenue does not have data on the property that could be assessed property taxes under the provisions of SB 338; therefore, a precise estimate of the amount of increased property tax revenues and its effect on local and state revenues cannot be estimated.

If a future project includes the issuance of bonds and the project provides space that is leased by a private entity, then the bill has the potential to increase state and local sales tax revenue by unknown amounts beginning in FY 2023. The bill could increase State General Fund, State Highway Fund, local government revenues by unknown amounts. According to the Department of Revenue, reissuing sales tax publications would cost \$1,200 from the State General Fund in FY 2023

The Kansas Department of Transportation indicates that the bill has the potential to increase state revenues to the State Highway Fund, as noted above. The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill has the potential to provide a net increase to local property tax revenue and local sales tax collections that are used in part to finance local governments. Any fiscal effect associated with SB 338 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt  
Director of the Budget

cc: Lynn Robinson, Department of Revenue  
Craig Neuenswander, Education  
Wendi Stark, League of Municipalities  
Jay Hall, Association of Counties  
Sherry Rentfro, Department of Commerce