

March 18, 2024

The Honorable Caryn Tyson, Chairperson  
Senate Committee on Assessment and Taxation  
300 SW 10th Avenue, Room 548-S  
Topeka, Kansas 66612

Dear Senator Tyson:

**SUBJECT:** Fiscal Note for SB 536 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 536 is respectfully submitted to your committee.

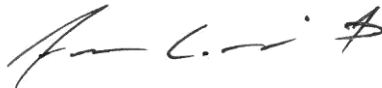
Under current law, State General Fund transfers to the Local Ad Valorem Tax Reduction Fund (LAVTRF) are suspended in the appropriations bill for both FY 2024 and FY 2025 and are capped at \$54.0 million when the transfer is set to resume in FY 2026. SB 536 would only allow a taxing subdivision to receive distributions from the LAVTRF if it adopts a budget that shows the total amount of ad valorem tax to be levied in an amount that is equal to or less than the total amount of ad valorem tax levied for the preceding tax year. The total amount of ad valorem tax to be levied is the amount determined before crediting any distributions from the LAVTRF. The bill would require county treasurers to return to the State Treasurer any funds that the county receives from the LAVTRF that are not credited to a political subdivision because it did not comply with this new requirement. Any returned funds would be credited to the State General Fund. Political subdivisions could choose not to participate in the distributions from the LAVTRF. The bill would delete language that currently restricts community colleges and municipal universities from receiving distributions from the LAVTRF, unless they received LAVTRF payments on January 15, 1983.

SB 536 would have no fiscal effect on the State General Fund or local governments unless transfers from the State General Fund to the LAVTRF are resumed. The last State General Fund transfer to the LAVTRF occurred in FY 2003, since then transfers have routinely been suspended in appropriations bills. If transfers from the State General Fund to the LAVTRF were resumed, the Department of Revenue's Property Valuation Division would be required to calculate and report current assessed values and distributions, as well as update related documents. The Department indicates that these costs are estimated to be negligible and could be absorbed within existing resources.

If transfers from the State General Fund to the LAVTRF were resumed, the State Treasurer indicates the bill would require it to implement computer programming changes in order to apportion and pay amounts to counties based on population and assessed valuation. The State Treasurer indicates that the administrative costs to implement the bill are estimated to be negligible and could be absorbed within existing resources. Any amounts transferred to the LAVTRF would also be required to be included as expenditures in the State Treasurer's budget. *The FY 2025 Governor's Budget Report* includes resuming funding the LAVTRF with a \$54.0 million transfer from the State General Fund beginning in FY 2025 under the original requirements of the program.

The League of Kansas Municipalities and the Kansas Association of Counties indicate that the bill has the potential to provide additional resources for property tax relief directly to property owners if transfers from the State General Fund to the LAVTRF are resumed. The Kansas Association of Counties indicates the bill would increase costs to counties to implement the bill by unknown amounts. Counties would have programming costs to calculate any distribution from the LAVTRF.

Sincerely,

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

Adam C. Proffitt  
Director of the Budget

cc: Jay Hall, Kansas Association of Counties  
Wendi Stark, League of Kansas Municipalities  
Lynn Robinson, Department of Revenue  
John Hedges, Office of the State Treasurer