

February 18, 2020

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185A-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2656 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2656 is respectfully submitted to your committee.

HB 2656 would discontinue the apportionment of the countywide sales tax for general purposes to cities beginning on July 1, 2020. All countywide sales tax revenue for general purposes would now be retained by the board of county commissioners. However, the bill would not prevent a board of county commissioners from entering into interlocal agreements to share a portion of the countywide sales tax revenue with any city located in that county. The bill would not apply to tax increment revenues pledged to STAR bond repayments pledged prior to July 1, 2020.

The Department of Revenue indicates HB 2656 would affect the countywide sales tax distribution for 82 counties which would impact 492 cities. The bill would have no fiscal effect on state sales tax revenue. The Department indicates that the bill would require \$1,453 from the State General Fund in FY 2021 to notify local governments about the proposed changes to the countywide sales tax distribution. The costs for programming changes to adjust county sales tax distributions are estimated to be negligible and could be absorbed within existing resources.

The Kansas Association of Counties indicates the bill would allow for county flexibility in distributing revenue generated by the countywide sales tax for general purposes and promotes interlocal agreements instead of state oversight of apportionment of county funds. The Association assumes that while this bill would not increase or decrease local government revenue, but it could allow county governments to apportion funds as deemed necessary. The League of Kansas Municipalities indicates the bill has the potential to significantly reduce countywide sales tax distributions to cities that are currently used in part to finance city governments. The League

indicates that there were \$264.9 million in distributions to cities from the countywide sales tax for general purposes in FY 2019. For example, the League indicates that without an interlocal agreement in place, the City of Wichita has the potential to lose approximately \$61.7 million in countywide sales tax distributions in FY 2021, which would now be retained by Sedgwick County under the provisions of the bill. Any fiscal effect associated with HB 2656 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is written in a cursive style with a large, stylized initial "L".

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Trey Cocking, League of Municipalities
Jay Hall, Association of Counties