

February 5, 2007

The Honorable Kenny Wilk, Chairperson  
House Committee on Taxation  
Statehouse, Room 426-S  
Topeka, Kansas 66612

Dear Representative Wilk:

**SUBJECT:** Fiscal Note for HB 2028 by Representative Otto

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2028 is respectfully submitted to your committee.

HB 2028 makes three major changes to the state's school finance formula. First, it would increase the statewide property tax levy for schools from 20 mills to 25 mills for the 2007-2008 and the 2008-2009 school years. Second, the bill reduces the local option budget (LOB) maximum percentage from 31.0 percent to 28.0 percent in the 2007-2008 school year and each year thereafter. Third, the bill changes the state's equalization of districts' local option budget from 81.2 percent to 90.4 percent.

The three provisions of HB 2028 net out to no additional cost to the state. The increased property tax levy would reduce State General Fund expenditures for general state aid by \$132.8 million, while the reduced LOB maximum percentage and increased LOB equalization increase the state's costs by the same amount. Because of the differences in property tax valuations across districts, some districts would experience an increase in state aid, while others would realize a reduction. All districts would have increased local effort through the higher property tax rate.

According to the Department of Revenue, the Property Valuation Division would notify county officials of the change in tax levy, and the tax abstract program would have to be adjusted to calculate the amount of taxes exempt from the higher statewide levy. County tax administrative programs would also have to be updated to account for the changed levy. The Department's required programming for this bill by itself (eight hours of in-house programming) would be performed by existing staff. However, if the combined effect of implementing this bill

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and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2028 is not reflected in *The FY 2008 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "Duane A. Goossen". The signature is written in a cursive style with a large initial 'D'.

Duane A. Goossen  
Director of the Budget

cc: Dale Dennis, Education  
Steve Neske, Revenue