

March 9, 2017

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2227 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2227 is respectfully submitted to your committee.

HB 2227 would increase the Education Building Fund (EBF) tax levy from one mill to five mills beginning in tax year 2017. The bill expands the uses of the EBF to allow expenditures for the following purposes:

1. Upgrade broadband capabilities within and between the campuses, between Kansas educational institutions and other information technology networks located outside the state;
2. Increase data storage and computing capabilities to collect, store and use human genome data which will improve delivery of pharmaceuticals;
3. Maximize the benefits of plant genomes research, especially related to lower water needs;
4. Increase research on aircraft design, flight performance and polymer and other composite manufacturing; and
5. Address other research priorities and infrastructure development and maintenance projects identified by the Board of Regents.

The bill would require the EBF to be a no limit fund administered by the Board of Regents. The Board of Regents would have exclusive control over the expenditure of moneys. On or before August 1st of each year, the Board of Regents would be required to submit to the Legislature an accounting report of all moneys expended from the EBF.

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The Department of Revenue estimates that HB 2227 would increase Educational Building Fund revenues by \$132.8 million in FY 2018. To formulate this estimate, the Department of Revenue reviewed data on assessed valuations for property subject to the Educational Building Fund property tax levy. The Department of Revenue indicates that the Educational Building Fund would receive approximately \$33.2 million from the current one mill levy in FY 2018. Increasing the property tax levy to five mills would generate approximately \$166.0 million in property tax revenues for the Educational Building Fund in FY 2018. As a result, increasing the property tax levy from one mill to five mills would generate an additional \$132.8 million above current estimates in FY 2018. Future fiscal years would also have similar results depending on any future changes to the assessed valuation of property.

The Board of Regents indicates that additional funding for the Educational Building Fund 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 \$908.0 million in FY 2016. The Board estimates that an annual amount of \$99.0 million is needed for on-going maintenance to prevent any further backlogs and to adequately maintain university campuses. Any fiscal effect associated with HB 2227 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Kelly Oliver, Board of Regents