

January 18, 2023

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 4 by Senator Fagg

In accordance with KSA 75-3715a, the following fiscal note concerning SB 4 is respectfully submitted to your committee.

Under current law, the sales tax exemption for construction materials at educational institutions does not apply to the erection, construction, repair, enlargement, or equipment of buildings used primarily for human habitation. SB 4 would allow this sales tax exemption to apply to buildings used primarily for human habitation at the Kansas State School for the Blind and the Kansas State School for the Deaf. The bill would become effective upon publication in the statute book.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	(\$32,600)	(\$38,900)
Expenditure	--	--	\$1,800	\$1,800
FTE Pos.	--	--	--	--

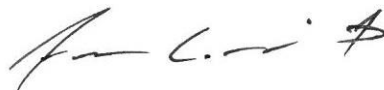
The Department of Revenue estimates that SB 4 would decrease state revenues by \$38,900 in FY 2024. Of that total, the State General Fund is estimated to decrease by \$32,600 in FY 2024, while the State Highway Fund is estimated to decrease by \$6,300 in FY 2024. This bill also is estimated to decrease local sales tax revenues by \$17,700 in FY 2024. The Department of Revenue indicates that this bill would have a similar fiscal effect in future fiscal years.

To formulate these estimates, the Department of Revenue reviewed dormitory project plans from the Kansas State School for the Deaf and the Kansas State School for the Blind. The Kansas State School for the Deaf plans to remodel the Roth Building east wing dormitory building in FY 2024. The project will include new carpet and the repair and painting of walls. All work must be done during the school's summer break in June and July. Both schools have included capital improvement expenditures for dormitories in their five-year capital budget plan and this sales tax exemption would lower project costs. According to the Department of Revenue, reissuing sales tax publications and revising forms would cost \$1,800 from the State General Fund in FY 2024.

The Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund as noted above. KDOT indicates that when the state receives lower State Highway Fund dollars it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would provide a net reduction to local sales tax collections that are used in part to finance local governments. Any fiscal effect associated with SB 4 is not reflected in *The FY 2024 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  
Brendan Yorkey, Department of Transportation  
Adela Tan, School for the Blind and School for the Deaf  
Wendi Stark, League of Kansas Municipalities  
Jay Hall, Kansas Association of Counties