

# Kansas Government Finance Officers Association (KSGFOA)

October 13, 2016

Budget Form Changes  
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# Budget Form Changes – House Bill 2088

Budget Timeline for the 2018 Budget Process

Budget Form Changes

- Computed Limit Test

- Property Tax Revenue Decline Test

- Lost Valuation Test

# Budget Form Changes – House Bill 2088

## Budget Timeline for 2018 Budgets

### June 1, 2017

Valuations to the County Clerk from the State Division of Property Valuation and from County Appraiser

### June 15, 2017

County Clerks shall provide valuations to taxing subdivisions

Budgets for counties and cities probably need to be completed by mid-June to determine if an election needs to be held

### July 1, 2017

County Clerk or Election Officer is to be notified by this date if the county or city needs an election to approve the resolution

# Budget Form Changes – House Bill 2088

## Budget Timeline for 2018 Budgets

### August 25, 2017

For counties and cities not holding an election, budgets are due to the County Clerk by this date

### September 15, 2017

Date of mail ballot election

### September 20, 2017

Board of Canvassers review/verify election results by this date

### October 1, 2017

For counties and cities that held an election, completed budgets are due to the County Clerk by this date

# Budget Form Changes – House Bill 2088

## Election Requirement Tests

- Computed Limit Test
- Property Tax Revenue Decline Test
- Lost Valuation Test

Factors concerning the tests –

A 2017 total tax levy of \$1,000,000 which is comprised of a debt service levy of \$200,000 and a library levy of \$50,000

A 2018 total tax levy of \$1,200,000 which is comprised of a debt service levy of \$210,000, a library levy of \$52,000, and a CPI rate of 1.1%

# Budget Form Changes – House Bill 2088

## Computed Limit Test

### Computation to Determine Limit for 2018

Base Levy (Net Tax Levy 2017)	750,000
Percentage Adjustments	25,875
Increased Tax Revenue Adjustments	433,405
Levy on Behalf of Another Political or Governmental Subdivision	52,000
<b>Computed Limit</b>	<b><u>1,261,280</u></b>
<b>Tax Levy 2018 Budget</b>	<b>1,200,000</b>
<b>Computed Limit Test - Election Required</b>	<b>No</b>

# Budget Form Changes – House Bill 2088

## Computed Limit Test – Base Levy

### Base Levy

Total Tax Levy Amount in 2017	1,000,000
Less: Tax Levy for Debt Service in 2017 Budget	200,000
Less: Tax Levy for Library in 2017 Budget	50,000
Less: Tax Levy for Recreation Commission in 2017 Budget	
Less: Tax Revenues Spent on Public Building Commission and Lease Payments (Not Applicable for 2018 Budget)	
Less: Tax Revenues Spent on Special Assessments (Not Applicable for 2018 Budget)	
Less: Tax Revenues Spent on Court Judgments, Settlements, and Legal Costs (Not Applicable for 2018 Budget)	
Less: Tax Revenues Spent on Mandates with Loss of Funding (Not Applicable for 2018 Budget)	
Less: Tax Revenues Spent on Disasters and Emergencies (Not Applicable for 2018 Budget)	
Net Tax Levy	<u>750,000</u>

# Budget Form Changes – House Bill 2088

## Computed Limit Test – Percentage Adjustment

### HB 2088 - New Section 6 (a) (1)

On and after January 1, 2017, the governing body of any city or county shall not approve any appropriation or budget which provides for funding by property tax revenues in an amount exceeding that of the next preceding year as adjusted to reflect the **average changes** in the **consumer price index** for all urban consumers as published by the United States department of labor for the **preceding five calendar years**, which shall not be less than zero,

unless the city or county approves the appropriation or budget with the adoption of a resolution and such resolution has been submitted to and approved by a majority of the qualified electors of the city or county voting at an election called and held thereon, except as otherwise provided.



# Budget Form Changes – House Bill 2088

## Computed Limit Test – Percentage Adjustment

<b>Year</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>HALF1</b>	<b>HALF2</b>	<b>ANNUAL</b>
<b>2006</b>	4.0	3.6	3.4	3.5	4.2	4.3	4.1	3.8	2.1	1.3	2.0	2.5	3.8	2.6	3.2
<b>2007</b>	2.1	2.4	2.8	2.6	2.7	2.7	2.4	2.0	2.8	3.5	4.3	4.1	2.5	3.1	2.9
<b>2008</b>	4.3	4.0	4.0	3.9	4.2	5.0	5.6	5.4	4.9	3.7	1.1	0.1	4.2	3.4	3.9
<b>2009</b>	0.0	0.2	-0.4	-0.7	-1.3	-1.4	-2.1	-1.5	-1.3	-0.2	1.8	2.7	-0.6	-0.1	-0.4
<b>2010</b>	2.6	2.1	2.3	2.2	2.0	1.1	1.2	1.1	1.1	1.2	1.1	1.5	2.1	1.2	1.6
<b>2011</b>	1.6	2.1	2.7	3.2	3.6	3.6	3.6	3.8	3.9	3.5	3.4	3.0	2.8	3.5	3.2
<b>2012</b>	2.9	2.9	2.7	2.3	1.7	1.7	1.4	1.7	2.0	2.2	1.8	1.7	2.3	1.8	2.1
<b>2013</b>	1.6	2.0	1.5	1.1	1.4	1.8	2.0	1.5	1.2	1.0	1.2	1.5	1.5	1.4	1.5
<b>2014</b>	1.6	1.1	1.5	2.0	2.1	2.1	2.0	1.7	1.7	1.7	1.3	0.8	1.7	1.5	1.6
<b>2015</b>	-0.1	0.0	-0.1	-0.2	0.0	0.1	0.2	0.2	0.0	0.2	0.5	0.7	-0.1	0.3	0.1
<b>2016</b>	1.4	1.0	0.9	1.1	1.0	1.0	0.8	1.1					1.1		

# Budget Form Changes – House Bill 2088

## Computed Limit Test – Percentage Adjustment

### **HB 2088 – New Section 6 (b)**

A resolution by the governing body of a city or county otherwise required by the provisions of this section **shall not be required to be approved by an election** required by subsection (a) under the following circumstances:

- (1) Increased property tax revenues that, in the current year, are produced and attributable to the taxation of:
  - (A) The construction of any new structures or improvements or the remodeling or renovation of any existing structures or improvements on real property, which shall not include any ordinary maintenance or repair of any existing structures or improvements on the property;
  - (B) increased personal property valuation;
  - (C) real property located within added jurisdictional territory;
  - (D) real property which has changed in use;
  - (E) expiration of any abatement of property from property tax; or
  - (F) expiration of a tax increment financing district, rural housing incentive district, neighborhood revitalization area or any other similar property tax rebate or redirection program.

# Budget Form Changes – House Bill 2088

## Computed Limit Test – Percentage Adjustment

3) Net Tax Levy	<u>750,000</u>
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### Percentage Adjustments

4) CPI Adjustment - 1.1% (Line 4 Percentage Multiplied by Line 3 (Net Tax Levy))	8,250
5) Value of New Improvements	250,000
6) Increase in Total Personal Property Valuations (cannot be less than zero)	75,000
7) Real Property Added to Jurisdiction	500,000
8) Real Property which has Changed in Use	100,000
9) Expiration of Property Tax Abatement (Assessed Valuation)	250,000
10) Total Assessed Value of Adjustments	<u>1,175,000</u>
11) Total Assessed Valuation - June 15, 2017	50,000,000
12) Adjustment Percentage (Line 10 Divided by Line 11)	2.35%
13) Dollar Value of Adjustments (Line 3 Multiplied by Line 12 Percentage)	17,625
14) <b>Total Percentage Adjustments</b>	<u><b>25,875</b></u>

# Budget Form Changes – House Bill 2088

## Computed Limit Test – Increased Tax Revenue Adjustment

### HB 2088 – New Section 6 (b) (2)

Increased property tax revenues that will be spent on:

Bond, temporary notes, no fund warrants, state infrastructure loans and interest payments **not exceeding the amount of ad valorem property taxes levied in support of such payments**, and payments made to a public building commission and lease payments but only to the extent such payments were obligations that existed prior to July 1, 2016;

(B) payment of special assessments **not exceeding the amount of ad valorem property taxes levied in support of such payments**;

(C) court judgments or settlements of legal actions against the city or county and legal costs directly related to such judgments or settlements;

(D) expenditures of city or county funds that are specifically mandated by federal or state law with such mandates becoming effective on or after July 1, 2015, and loss of funds from federal sources after January 1, 2017, where the city or county is contractually obligated to provide a service;

(E) expenses relating to a federal, state or local disaster or federal, state or local emergency, including, but not limited to, a financial emergency, declared by a federal or state official. The board of county commissioners may request the governor to declare such disaster or emergency; or

# Budget Form Changes – House Bill 2088

## Computed Limit Test – Increased Tax Revenue Adjustment

### Increased Tax Revenues Adjustment

15) Property Tax Revenues Spent on Debt Service in 2018 Budget	210,000
16) Property Tax Revenues Spent Public Building Commission and Lease Payments in 2018 Budget (obligations must have incurred prior to July 1, 2016)	100,000
17) Property Tax Revenues Spent on Special Assessments in 2018 Budget	0
18) Property Tax Revenues Spent on Court Judgments or Settlements and Associated Legal Costs in 2018 Budget	0
19) Property Tax Revenues Spent on Federal or State Mandates (effective after June 30, 2015) and Loss of Funding from Federal Sources after January 1, 2017 in 2018 Budget	0
20) Property Tax Revenues Spent on Expenses Related to Disasters or Federal Emergency in 2018 Budget	100,000

# Budget Form Changes – House Bill 2088

## Computed Limit Test – Increased Tax Revenue Adjustment

### HB 2088 – New Section 6 (b) (2)

Increased property tax revenues that will be spent on:

(F) increased costs above the consumer price index for law enforcement, fire protection or emergency medical services.

### HB 2088 – New Section 6 (b) (3)

Any increased property tax revenues generated for law enforcement, fire protection or emergency medical services shall be expended exclusively for these purposes but shall not be used for the construction or remodeling of buildings.

# Budget Form Changes – House Bill 2088

## Computed Limit Test – Increased Tax Revenue Adjustment

21) Law Enforcement Expenses - 2018 Budget (Do not Include building construction or remodeling costs)		100,000	
Law Enforcement Expenses - 2017 Budget (Do not Include building construction or remodeling costs)	85,000		
CPI Adjustment - 1.1%	935		
Law Enforcement Expenses - 2107 Budget (Indexed by CPI)		85,935	
Increased Law Enforcement Expense in 2018 Budget			14,065
22) Fire Protection Expenses - 2018 Budget (Do not Include building construction or remodeling costs)		70,000	
Fire Protection Expenses - 2017 Budget (Do not Include building construction or remodeling costs)	60,000		
CPI Adjustment - 1.1%	660		
Fire Protection Expenses - 2107 Budget (Indexed by CPI)		60,660	
Increased Fire Protection Expense			9,340
23) Emergency Medical Expenses - 2018 Budget (Do not Include building construction or remodeling costs)		65,000	
Emergency Medical Expenses - 2017 Budget (Do not Include building construction or remodeling costs)	59,000		
CPI Adjustment - 1.1%	649		
Emergency Medical Expenses - 2107 Budget (Indexed by CPI)		59,649	
Increased Emergency Medical Expense			5,351
<b><u>Total Increased Tax Revenue Adjustment</u></b>			<b><u>433,405</u></b>

# Budget Form Changes – House Bill 2088

## Computed Limit Test – Levy on Behalf of Another Political or Governmental Subdivision

### HB 2088 – New Section 6 (b) (5)

Whenever a city or county is required by law to levy taxes for the financing of the budget of any political or governmental subdivision of this state that is **not authorized by law to levy taxes on its own behalf, and the governing body of such city or county is not authorized or empowered to modify or reduce the amount of taxes levied therefore**, the tax levies of the political or governmental subdivision shall not be included in or considered in computing the aggregate limitation upon the property tax levies of the city or county.



# Budget Form Changes – House Bill 2088

## Computed Limit Test – Levy on Behalf of Another Political or Governmental Subdivision

### Levy on Behalf of Another Political or Governmental Subdivision

24) Library Levy 2018 Budget	52,000
25) Recreation Commission Levy 2018 Budget	
26) <b>Total Levies on Behalf of Another Political or Governmental Subdivision</b>	<u><b>52,000</b></u>
27) <b>Total Computed Tax Levy</b>	<u><u><b>1,261,280</b></u></u>

# Budget Form Changes – House Bill 2088

## Computed Limit Test

### Computation to Determine Limit for 2018

Base Levy (Net Tax Levy 2017)	750,000
Percentage Adjustments	25,875
Increased Tax Revenue Adjustments	433,405
Levy on Behalf of Another Political or Governmental Subdivision	52,000
<b>Computed Limit</b>	<b>1,261,280</b>
<b>Tax Levy 2018 Budget</b>	<b>1,200,000</b>
<b>Computed Limit Test - Election Required</b>	<b>No</b>

# Budget Form Changes – House Bill 2088

## Property Tax Revenue Decline Test

### HB 2088 – New Section 6 (b) (4) (A)

The property tax revenues levied by the city or county have declined:

(A) In one or more of the next preceding three calendar years and the increase in the amount of funding for the budget or appropriation from revenue produced from property taxes does not exceed the average amount of funding from such revenue of the next preceding three calendar years, **adjusted to reflect changes in the consumer price index** for all urban consumers as published by the United States department of labor for **the preceding calendar year**; or

# Budget Form Changes – House Bill 2088

## Property Tax Revenue Decline Test

### Property Tax Revenue Decline Test

2014 Tax Levy (Less Levy for other Governmental Units)	950,000	
2015 Tax Levy (Less Levy for other Governmental Units)	900,000	Decline
2016 Tax Levy (Less Levy for other Governmental Units)	850,000	Decline
2017 Tax Levy (Less Levy for other Governmental Units)	950,000	No
Average Tax Levy (last three years)	900,000	
CPI Adjustment of 1.1%	9,900	
Average Tax Levy Adjusted by CPI	909,900	
2018 Total Tax Levy (Less Levy for other Governmental Units)	1,148,000	
<b>Exemption from Election Requirement</b>		<b>No</b>

# Budget Form Changes – House Bill 2088

## Lost Valuation Test

### HB 2088 – New Section 6 (b) (4) (B)

(B) the **increase in the amount of ad valorem tax to be levied** is less than the **change in the consumer price index plus the loss of assessed property valuation** that has occurred as the result of legislative action, judicial action or a ruling by the board of tax appeals.

# Budget Form Changes – House Bill 2088

## Lost Valuation Test

Assessed Valuation Loss	\$1,500,000
2018 Tax Levy (Less Levy for other Governmental Units)	1,148,000
2017 Tax Levy (Less Levy for other Governmental Units)	<u>950,000</u>
Change in Levy	<u>198,000</u>
CPI Adjustment	10,450
Loss of Assessed Valuation Multiplied by 2018 Mill Rate	34,440
Total Adjustment for Loss of Assessed Valuation	<u>46,450</u>
<b>Exemption from Election Requirement</b>	<b>No</b>

# Budget Form Changes – House Bill 2088

## Lost Valuation Test

10,450	(2017 Tax Levy of \$950,000 multiplied by 1.1%)
34,440	1,148,000 Tax Levy / Total Assessed Valuation (\$50,000,000/1,000) equal 22.96 Mills
	22.96 Mills Multiplied by Lost Assessed Valuation (\$1,500,000/1000)

# Budget Form Changes – House Bill 2088 Questions

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