

April 2, 2013

CORRECTED

The Honorable Richard Carlson, Chairperson  
House Committee on Taxation  
Statehouse, Room 285-N  
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Corrected Fiscal Note for HB 2405 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following corrected fiscal note concerning HB 2405 is respectfully submitted to your committee.

HB 2405 would eliminate the amount of state retail sales and compensating use taxes that are distributed to the State Highway Fund and would distribute the full amount of these taxes to the State General Fund beginning on July 1, 2013. The bill would not affect the tax rates for the state retail sales tax and compensating use tax that are set to be reduced from 6.3 percent to 5.7 percent on July 1, 2013. Under current law, the state retail sales tax and compensating use tax rates and distributions are set to be adjusted as follows:

<u>Date of Rate Change</u>	<u>Tax Rate</u>	<u>Percent to State General Fund</u>	<u>Percent to State Highway Fund</u>
Current law	6.3 %	88.767 %	11.233 %
July 1, 2013	5.7	81.579	18.421

The Department of Revenue estimates that HB 2136 would increase State General Fund revenues by \$458,900,000 and would decrease State Highway Fund revenues by \$458,900,000 in FY 2014. The increase in State General Fund revenues and how the November 6, 2012 consensus revenue estimate for FY 2014 would be affected are shown in the following table:

Effect on FY 2014 Consensus Revenue Estimates  
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 6, 2012)	Change in Revenue FY 2014	Proposed Adjusted CRE FY 2014
Motor Carrier	\$ 39,000	\$ --	\$ 39,000

Income Taxes:			
Individual	2,385,000	--	2,385,000
Corporate	360,000	--	360,000
Financial Institutions	30,000	--	30,000
Excise Taxes:			
Retail Sales	1,952,000	397,240	2,349,240
Compensating Use	303,000	61,660	364,660
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	137,400	--	137,400
All Other Excise Taxes	99,600	--	99,600
Other Taxes	<u>151,500</u>	<u>--</u>	<u>151,500</u>
Total Taxes	\$5,555,500	\$ 458,900	\$6,014,400
Other Revenues:			
Interest	\$ 9,700	\$ --	\$ 9,700
Transfers	(155,900)	--	(155,900)
Agency Earnings	<u>55,000</u>	<u>--</u>	<u>55,000</u>
Total Other Revenues	(\$ 91,200)	\$ --	(\$ 91,200)
Total Receipts	\$5,464,300	\$ 458,900	\$5,923,200

The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
State General Fund	\$519,400,000	\$538,900,000	\$559,100,000	\$580,500,000
State Highway Fund	<u>(519,400,000)</u>	<u>(538,900,000)</u>	<u>(559,100,000)</u>	<u>(580,500,000)</u>
	\$ --	\$ --	\$ --	\$ --

The Department of Revenue indicates that the bill would change the distribution formula for state retail sales tax and compensating use tax receipts and would not affect the amount of revenue collected from these sources in FY 2014 or any future fiscal year. In the fiscal note statement originally issued, the State General Fund estimates for FY 2017 and FY 2018 were reported incorrectly as negative amounts. The amount of revenue collected from the state retail sales tax and compensating use tax are based on the current consensus revenue estimates. The Department of Revenue indicates that the costs associated with changing the distribution or retail sales tax and compensating use tax revenues would be negligible and could be absorbed within existing resources.

The Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund as noted above. KDOT indicates the reduction in revenues would require reductions and/or delays to planned expenditures for projects funded under the comprehensive transportation plan, known as T-WORKS. Under current law, KDOT's bonding authority is capped at 18.0 percent of projected State Highway Fund revenues. KDOT

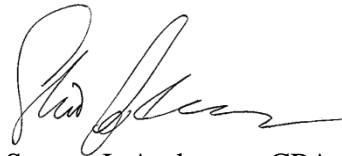
The Honorable Richard Carlson, Chairperson

April 2, 2013

Page 3—HB 2405 Corrected

indicates that it would be at or near this statutory cap under the provisions of HB 2405, which would prevent it from issuing additional bonds. The agency's current cashflow calls for bond issuances of \$150.0 million in FY 2014 and \$210.0 million in FY 2015. Therefore, the net reduction to planned expenditures for T-WORKS is estimated to be \$608.9 million in FY 2014 (\$458.9 million from eliminated state sales tax revenue + \$150.0 million from less bond proceeds) and \$729.4 million in FY 2015 (\$519.4 million + \$210.0 million). Any fiscal effect associated with HB 2405 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

Steven J. Anderson, CPA, MBA  
Director of the Budget

cc: Steve Neske, Revenue  
Ben Cleeves, KDOT