

May 1, 2017

The Honorable Julia Lynn, Chairperson
Senate Committee on Commerce
Statehouse, Room 445-S
Topeka, Kansas 66612

Dear Senator Lynn:

SUBJECT: Fiscal Note for SB 7 by Senator Faust-Goudeau

In accordance with KSA 75-3715a, the following fiscal note concerning SB 7 is respectfully submitted to your committee.

SB 7 would create the Kansas Reinvestment Act to promote job creation and economic development in impoverished areas of the state and promote the growth of communities in those areas by providing financial assistance to small businesses and community organizations. The bill would define an impoverished area as a zip code where the median income does not exceed 70.0 percent of the current state median income in the current year according to the United States Census Bureau and official Kansas data. The Kansas Reinvestment Program would be established as a new program in the Department of Commerce with a director appointed by the Secretary of Commerce.

The bill would create a new fund in the State Treasury entitled the “Kansas Reinvestment Act Fund.” Subject to appropriations acts, the Director of Accounts and Reports would transfer \$5.0 million from the State General Fund to the fund each year on July 1, 2017 through July 1, 2020. The program would be authorized to use up to 10.0 percent of the amount transferred each year to the fund for administering the program. The bill would outline loan terms of the program.

The bill would outline business activities that would not be eligible for loans under the program, including: nude or semi-nude dancing; pornography; sale of alcoholic liquor; sale of cigarettes, pipe tobacco or pipes; loans utilizing title to vehicles as collateral; and check cashing. The Kansas Reinvestment Act would sunset on July 1, 2021.

Enactment of SB 7 would reduce revenues to the State General Fund by \$5.0 million each year as a result of the transfers authorized to the newly created “Kansas Reinvestment Act Fund.” The Department of Commerce indicates that it would require first-year expenditures

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totaling \$375,000 from the special revenue fund, as well as 3.00 FTE positions, including 1.00 Program Director and 2.00 FTE support staff. Of this amount, \$325,000 would be for salaries and wages and \$50,000 would be for other operating expenditures, including computers and office and equipment. After the first year, the Department estimates expenditures for the program each year totaling \$325,000, including \$300,000 for salaries and wages and \$25,000 for other operating expenditures.

After administration costs, the program would have approximately \$4,625,000 available to loan in FY 2018, and \$4,675,000 available in FY 2019 through FY 2021. Any fiscal effect associated with SB 7 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: Bob North, Commerce
Lynn Robinson, Department of Revenue