

STATE OF KANSAS



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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

February 14, 2018

The Honorable Les Mason, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 521-E
Topeka, Kansas 66612

Dear Representative Mason:

SUBJECT: Fiscal Note for HB 2572 by Representatives Williams, Davis and Hawkins

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2572 is respectfully submitted to your committee.

HB 2572 would establish the Joint Committee on Taxpayer Transparency, which would consist of five senators and five members from the House of Representatives. The Senate members would include two members appointed by the President of the Senate, two members appointed by the Minority Leader of the Senate, and one member appointed by the Chairperson of the Senate Committee on Commerce. The House of Representatives members would include two members appointed by the Speaker of the House of Representatives, two members appointed by the Minority Leader of the House of Representatives, and one member appointed by the Chairperson of the House Committee on Commerce, Labor and Economic Development. The Joint Committee on Taxpayer Transparency would be required to meet at least twice per fiscal year.

The new joint committee would be required to advise and consult with the Secretary of Administration on the content, format and reports to be produced on the website required under the Kansas Taxpayer Transparency Act (KanView); advise and consult with the Secretary of Administration on incorporating additional information described in the bill; serve in an advisory capacity to the Secretary of Administration on the contents of KanView; and seek advice from the general public, professional associations, academic groups and institutions, and individuals.

The bill would require KanView to include economic development incentive data as soon as practical after July 1, 2018. Economic development incentive data would include information on income tax credits claimed for establishment of a qualified business facility; income tax credits claimed for investment in qualified securities of a qualified Kansas business; income tax credits claimed for taxpayers domiciled in a rural opportunity zone; income tax credits claimed for certain research and development activity expenditures; income tax credits claimed for restoration and preservation of qualified historic structures; payments from the Job Creation Fund; sales tax and

revenue bonds issued under the STAR Bond Financing Act; benefits received under the Promoting Employment Across Kansas Act; and certain property tax exemptions.

The bill would require the Board of Tax Appeals to provide an electronic report annually to the Department of Administration on or before January 10 detailing all city and county property tax exemptions for economic development authorized under Section 13 of Article 11 of the *Kansas Constitution* and all property tax exemptions on property acquired or developed as a result of the issuance of revenue bonds.

Similarly, the Department of Commerce would be required to provide information, as specified in the bill, in an electronic format to the Department of Administration regarding each STAR bond project approved by the Secretary of Commerce. Local governments, developers, businesses and other recipients of STAR bonds must provide the necessary information to the Secretary of Commerce. The requirement of local governments, developers, businesses and other recipients to provide information would be a condition of approval of a STAR Bond project and would be a continuing obligation. The bill would allow the Department to recover any costs incurred from providing or obtaining this information from administrative charges or fees, as allowed under current law.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	--	--
Expenditure	\$40,225	\$40,225	\$99,774	\$99,774
FTE Pos.	--	0.50	--	0.50

The Department of Administration estimates the bill would require additional, one-time expenditures of \$3,100 from the State General Fund in FY 2018 for website development. The Department estimates it could absorb any ongoing costs with current staffing levels.

The Department of Commerce anticipates that it would need a 0.50 FTE position and salaries and wages expenditures of \$37,125 from the State General Fund in FY 2018 and FY 2019 to coordinate and administer collecting and reporting the information required in the bill.

The Board of Tax Appeals believes the fiscal effect on agency expenses or workload would be negligible and could be handled within its existing budget.

The Kansas Department of Revenue indicates the bill would require modifications to its automated tax system. The required programming for this bill by itself (800 hours of in-house programming and 348 hours of implementation) would be performed by existing staff of the Department. However, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the Department's current budget may be required.

According to Legislative Administrative Services, creating the new joint committee would require compensation for the ten members to attend meetings. The agency estimates additional expenditures of \$62,649 from the State General Fund would be required for the Legislature's budget for FY 2019. The estimate assumes there are two meetings held in Topeka each fiscal year. Of the total cost, \$11,359 is for legislator pay (\$1,773 for salaries; \$2,880 for subsistence; \$2,675 for mileage; \$120 for tolls; \$2,880 for enroute day; and \$1,031 for fringe benefit costs); \$1,290 is for a committee assistant; and \$50,000 is for professional services.

The League of Kansas Municipalities estimates the bill would have a fiscal effect for cities in the form of increased staff time to create and prepare reports. However, the League is unable to determine how much time would be required by city employees or what the cost might be. The Kansas Association of Counties indicates it is unlikely that counties would incur a fiscal effect from the bill. Any fiscal effect associated with HB 2572 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

cc: Lynn Robinson, Department of Revenue
Bob North, Commerce
Chardae Caine, League of Municipalities
Melissa Wangemann, Association of Counties
Jody Allen, Tax Appeals
Karen Clowers, Legislative Services
Colleen Becker, Department of Administration