

January 22, 2018

The Honorable Carolyn McGinn, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S
Topeka, Kansas 66612

Dear Senator McGinn:

SUBJECT: Fiscal Note for SB 276 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 276 is respectfully submitted to your committee.

The State of Kansas, through the Kansas Corporation Commission (KCC), participates in the national Unified Carrier Registration (UCR) system, which registers and collects fees from operators of vehicles engaged in interstate travel. These fees are then distributed to the states. These funds are deposited into the KCC Motor Carrier License Fees Fund (MCLFF) and used to support the KCC Transportation Division. Statutory transfers of all unencumbered balances in the fund in excess of \$700,000 are made to the State Highway Fund on July 30 and January 30 of each fiscal year. Also, transfers from the fund to the Motor Carrier Safety Assistance Program of the Kansas Highway Patrol of up to \$650,000 are authorized by the appropriations bill to be made on July 1 and January 1 of each fiscal year. SB 276 would increase the amount of the unencumbered balance which triggers transfers to the State Highway Fund to \$2.8 million. The bill would take effect upon publication in the statute book.

During the initial implementation of the UCR system, some states were overpaid and some were underpaid. Kansas was underpaid by nearly \$2.5 million annually for the first four years of system operations (2007-2011). The UCR depository then made payments to the MCLFF over the next four years (2012-2016) to restore the underpayment and restore Kansas funds to the full annual federal cap of \$4.3 million. The repayment amounts were received at various times throughout the year allowing the fund to maintain a cash balance sufficient to fully fund the Transportation Division, as well as make the transfers to the State Highway Fund and the Motor Carrier Safety Assistance Program. The MCLFF is now fully restored, which means no further repayment amounts will be received. The normal UCR distribution payments are received mainly from October through December. According to the KCC, continuing to disburse funds above the \$700,000 cash balance to the State Highway Fund as currently required would result in insufficient

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funding to operate the Transportation Division. The agency estimates that if the transfer is made on January 30, 2018, the fund balance would be negative by June 2018, and operations of the Transportation Division would cease, resulting in a layoff of at least 17 staff members. Without a functioning Transportation Division, Kansas would no longer be considered a participating state by the UCR system and would no longer receive annual UCR funding which is currently capped at \$4.3 million. In addition, no further transfers to the State Highway Fund or the Motor Carrier Safety Assistance Program could be made.

The KCC indicates that enactment of SB 276 would allow the FY 2019 transfers to the Kansas Highway Patrol and the State Highway Fund to be made, and would ensure continued operation of the Transportation Division and the Unified Carrier Registration program in the KCC. The agency requested that the bill be introduced and heard early in the 2018 Session in hopes that the FY 2018 January 30 transfer to the State Highway Fund could be avoided and allow the fund balance to recharge to the point that later transfers could be made as required. The KCC states that the bill would result in no transfer to the State Highway Fund being made in January 2018..

According to the Kansas Department of Transportation, because the effective date of the bill is on publication in the statute book, the January 30, 2018, transfer would occur as usual and the first transfer to be affected would be the July 30, 2018, transfer. While preparing its budget, this agency was aware that the bill was going to be introduced and for planning purposes did not budget receipts from this revenue source in either FY 2018 or FY 2019. Any fiscal effect associated with SB 276 is not reflected in *The FY 2019 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: Jake Fisher, KCC
Ben Cleaves, Transportation