

March 27, 2019

REVISED

The Honorable Bud Estes, Chairperson
Senate Committee on Federal and State Affairs
Statehouse, Room 136-E
Topeka, Kansas 66612

Dear Senator Estes:

SUBJECT: Revised Fiscal Note for SB 137 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following revised fiscal note concerning SB 137 is respectfully submitted to your committee.

SB 137 would establish a \$5 entry fee for each customer admitted to a sexually oriented business. The bill includes definitions for nude and sexually oriented business. The fee would be collected by the Department of Revenue and deposited in the Family and Children Investment Fund. The bill indicates the purpose of the fee on sexually oriented businesses is to promote the health, safety, and general welfare of the citizens of Kansas and to mitigate the deleterious secondary effects of sexually oriented businesses within the state. The Department of Revenue would have the authority to adopt rules and regulations to implement the bill.

The Department of Revenue indicates that it does not have data on how many customers are admitted to sexually oriented businesses in Kansas to make a precise estimate of the amount of revenue that would be generated from the enactment of SB 137. The Department of Revenue indicates that it would require a total \$1,807,107 from the State General Fund in FY 2020 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue and outside contract programmer services. In addition, 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, additional expenditures for outside contract programmer services beyond the Department's current budget may be required. Since the original fiscal note was issued, the Department of Revenue lowered its estimate on administrative costs needed to implement the bill.

The state maintains two separate accounts within the Family and Children Investment Fund: one for the Department for Children and Families and one for the Judiciary. The bill is unclear where the collected fees would be deposited. However, the additional fees would likely support programs that affect families and children across the state.

The Attorney General's Office indicates the bill has the potential to increase litigation costs if lawsuits are filed that challenge the constitutionality of this fee. Litigation could span multiple fiscal years and could require the hiring of outside counsel. However, the Office did not provide an estimate of the amount of potential litigation costs. Any fiscal effect associated with SB 137 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is fluid and cursive, with the first name "L." and the last name "Campbell" clearly visible.

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Janie Harris, Judiciary
Willie Prescott, Office of the Attorney General
Jackie Aubert, Children & Families