

March 28, 2019

REVISED

The Honorable Rick Wilborn, Chairperson
Senate Committee on Judiciary
Statehouse, Room 541-E
Topeka, Kansas 66612

Dear Senator Wilborn:

SUBJECT: Revised Fiscal Note for SB 219 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following revised fiscal note concerning SB 219 is respectfully submitted to your committee.

SB 219 would impose an excise tax on a scrap metal dealer on the purchase of scrap metal. No tax would be imposed for purchases of scrap metal in which the transaction is less than 100 pounds. Purchases of scrap metal between 100 pounds and one ton would have a tax of \$0.50 and purchases greater than one ton would be taxed at a rate of \$1.00 per ton. The tax would be remitted to the Kansas Department of Revenue and deposited into the Scrap Metal Theft Reduction Fee Fund, which would be administered by the Office of the Attorney General (OAG). The bill would lower registration fees for scrap metal dealers from \$1,500 to \$750, which would also be remitted to the Scrap Metal Theft Reduction Fund.

The bill would transfer the responsibility to maintain a database of information regarding commercial scrap metal transactions from the OAG to the Kansas Bureau of Investigation (KBI). The OAG would have the authority to make transfers from the Scrap Metal Theft Reduction Fee Fund to the Scrap Metal Data Repository Fund, which would be administered by the KBI to operate the scrap metal data repository. The bill would require the database to be established before January 1, 2020, and would allow the KBI to contract with a third party to create the database.

Since the original fiscal effect statement was issued, the Department of Revenue has provided information on the fiscal effect of this bill. The Department indicates that it would require a total of \$1,547,565 from the State General Fund in FY 2020 to implement the bill and to modify the automated tax system. The bill would require 1.00 new FTE position to create forms and instructions and process and track this new excise tax. 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.

The OAG indicates that the enactment of the bill would result in additional expenditures of \$99,293 from the State General Fund in FY 2020 for 1.00 Special Agent FTE position. Of this amount, \$73,170 would be for salaries and wages, \$13,020 would be for travel expenses, \$8,240 would be for costs to set up an office, \$3,663 would be for information technology costs, and \$1,200 would be for professional licensing and training. The agency also states that the bill would result in at least \$65,220 in revenue from scrap metal dealer registration fees, based on the estimated 87 scrap metal dealers in the state (\$750 x 87 scrap metal dealers). The bill would also result in additional revenue from the excise tax on scrap metal. Additionally, the OAG would make transfers from the Scrap Metal Theft Reduction Fund to the Scrap Metal Data Repository fund under the Kansas Bureau of Investigation (KBI) to support the cost of administrating the repository. However, the additional revenue from the excise tax and the amount of the subsequent transfers to the KBI that would offset the costs of the repository cannot be estimated.

The KBI indicates that the enactment of the bill would result in additional expenditures of between \$65,950 and \$180,950 from the State General Fund in FY 2019 and between \$91,823 and \$236,823 from the State General Fund in FY 2020. Of the FY 2019 amounts, \$5,950 would be for one-time costs for office supplies and computer equipment to prepare an office for 1.00 Program Consultant FTE position, which would be filled in FY 2020. The program consultant would assist in the implementation of the new database and system, train and assist salvage yards on how to enter data into the system, and train law enforcement on how to query the system. Additionally, the agency states it would need to contract with a third party to build the database and it has contacted two contracting providers for estimates. One contracting provider indicated that initial costs in FY 2019 would be \$60,000. The KBI states that there may be private grant funding available through this provider. A second contracting provider indicated it could provide a database in FY 2019 for between \$150,000 and \$175,000 depending on the number of scrap metal dealers in the database. Of the FY 2020 amounts, \$61,823 would be for salaries and wages to hire the program consultant and costs to support the database would range between \$30,000 and \$175,000 depending on which contracting provider is used. Any fiscal effect associated with SB 219 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Paul Weisgerber, KBI
Willie Prescott, Office of the Attorney General