

March 19, 2021

The Honorable Jim Kelly, Chairperson
House Committee on Financial Institutions and Rural Development
Statehouse, Room 581A-W
Topeka, Kansas 66612

Dear Representative Kelly:

SUBJECT: Fiscal Note for HB 2398 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2398 is respectfully submitted to your committee.

HB 2398 would enact the Technology-Enabled Trust Bank Act. The bill details the function of a trust bank. Each trust bank would be required to have a certificate of authority approved by the State Banking Board. The bill details requirements of the application, including fingerprints of any officer, director, organizer, or other person deemed necessary by the Board. HB 2398 details when the Board would not accept an application, deny an application, and notify an applicant of approval or disapproval of the application. A trust bank would be issued a charter upon compliance with the requirements of the Act and upon satisfaction of the Bank Commissioner that the applicable distribution has been made. The bill details how the applicable distribution would be disbursed. The bill would require a trust bank to be managed and controlled by a board of directors.

Each trust bank would be assessed an initial fee of \$500,000 and an annual assessment that is defined in the bill. Of the fees and assessments received, 75.0 percent would be deposited to the Bank Commissioner Fee Fund and 25.0 percent to the Technology-Enabled Trust Bank Development and Expansion Fund that is established in the bill. The Technology-Enabled Trust Bank Development and Expansion Fund would be administered by the Secretary of Commerce. The Fund would be used to promote and facilitate the development, growth, and expansion of trust banks, fidfin activities, and custodial services in the state and to locate trust banks' office space in an economic growth zone.

The bill would require a trust bank applying for approval from the State Banking Board to conduct fidfin transactions to consult with the Department of Commerce regarding economic

growth zones in which the trust bank plans to make either a qualified investment or a financial transaction structured as a qualified charitable contribution. The Department of Commerce would also be required to publish fund investment schedules in the *Kansas Register* for trust banks chartered after January 1, 2023, as well as submit reports to the State Bank Commissioner regarding the publication of such reports.

The bill would require a trust bank to be managed and controlled by a board of directors and to file annual reports with the Commissioner that include information regarding fid fin transactions and capital solvency. The bill would create a tax credit for trust banks that would be allowed as a credit against its liabilities starting on December 31, 2020.

Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	--	\$1,125,000
Expenditure	--	--	\$195,964	\$195,964
FTE Pos.	--	--	--	1.00

The Office of the State Bank Commissioner indicates that one technology-enabled trust bank will be chartered and examined in FY 2022 and would be subject to the fees outlined in the bill. The Office estimates that in FY 2022 it would receive \$1,125,000 into its Bank Commissioner Fee Fund. Of that amount \$375,000 (\$500,000 x 75.0 percent) would be from one initial fee and \$750,00 (\$1,000,000 x 75.0 percent) would be from an annual examination fee. Any additional expenditures to create new forms, develop an application process, investigate, train, or perform annual exams would be paid with the additional revenues received from enactment of the bill. However, the agency does not have any data to estimate such expenditures at this time.

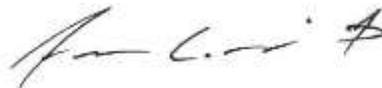
The Department of Revenue indicates HB 2398 would decrease State General Fund revenues beginning in FY 2022 by an unknown amount. The Department of Revenue does not have data on technology-enabled trust banks to make a precise estimate of the fiscal effect of providing an income and privilege tax credit for trust banks making certain charitable donations. The Department of Revenue indicates that it would require a total \$105,664 from the State General Fund in FY 2022 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. 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 Kansas Bureau of Investigation states that the bill would create additional state and national criminal history record check requests. Any additional expenditures created by the bill would be offset by revenues received to perform the checks by staff and maintenance on required systems.

The Department of Commerce states that it would require \$90,300 in FY 2022 from the State General Fund and \$85,300 in FY 2023 from the Technology-Enabled Trust Bank Development and Expansion Fund to staff and manage the new fund. Of that amount for FY 2022, \$74,250 would be for 1.00 FTE position, \$6,050 would be for overhead expenditures, and \$10,000 would be for travel expenditures. For FY 2023, \$74,250 would be for 1.00 FTE position, \$6,050 would be for overhead expenditures, and \$5,000 would be for travel expenditures. The agency states that it would require an appropriation from the State General Fund to finance its expenditures until there is enough funding in the Technology-Enabled Trust Bank Development and Expansion Fund to support expenditures. Any fiscal effect associated with HB 2398 is not reflected in *The FY 2022 Governor's Budget Report*.

The Kansas Association of Counties states that the bill could impact Harvey county since they will be the first economic growth zone. If additional businesses are drawn to Kansas as a result of the bill, then there could be a fiscal effect on those counties as well. However, a fiscal effect cannot be estimated. The League of Kansas Municipalities states that the bill would not have a fiscal effect on cities.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Wendi Stark, League of Municipalities
Jay Hall, Association of Counties
Melissa Wangemann, Office of Banking Commissioner
Paul Weisgerber, KBI
Sherry Rentfro, Department of Commerce
Lynn Robinson, Department of Revenue