

February 28, 2011

The Honorable Richard Carlson, Chairperson
House Committee on Taxation
Statehouse, Room 274-W
Topeka, Kansas 66612

Dear Representative Carlson:

SUBJECT: Fiscal Note for HB 2316 by House Committee on Vision 2020

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2316 is respectfully submitted to your committee.

HB 2316 would create in the state treasury the Bioscience Investment Fund. The fund would be administered by the Kansas Bioscience Authority and revenue would come from the sale of bonds. The bonds would be sold in denominations of \$100 and say on the face of the bond "This bond is an investment in the bioscience industry in Kansas." After ten years, the bonds may be cashed in for the amount of capital in the fund plus accounts receivable divided by the number of bonds still outstanding. Interest income on the bonds would be excluded from the computation of Kansas adjusted gross income. The bill would allow for a subtraction modification from federal adjusted gross income for capital gains from the sales of these bonds. The Kansas Development Finance Authority (KDFA) would be required to establish and maintain a current record of bond holders.

Expenditures from the fund may be made to provide jobs and aid in research for cures for disease by the Authority. All expenditures from the fund would have to be made in accordance with appropriation acts and vouchers approved by the chairperson of the Board of Directors of the Kansas Bioscience Authority.

The bill also states that at the direction of the Kansas Bioscience Authority, the fund may be held and invested by the Department of Administration or the State Treasurer provided that the Bioscience Investment Fund would be accounted for separate and apart from all other of the Authority's funds. Currently, the Department of Administration does not invest funds for the state.

HB 2316 does not specify the revenue source to be used for debt service. The actual debt service would be based on the amount of bonds sold and the interest rate. Debt service payments

The Honorable Richard Carlson, Chairperson

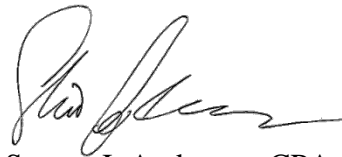
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typically begin one year after the bonds are issued; which for this bonding authority that would be FY 2013. The bill would require the KDFA to maintain records of bond holders, which is usually a function of the State Treasurer's office. KDFA estimates that it would have to hire an additional staff member and charge issuance and administrative fees to issue the bonds. KDFA did not provide cost estimate for these expenses.

The Department of Revenue notes that HB 2316 would have no fiscal effect in FY 2012 on State General Fund revenues. The bonds would have to be held by the investor for ten years and when sold would be exempt from state income tax. Therefore, revenue would be lost; however, the amount cannot be determined because the amount of bonds that would be sold is unknown. Any fiscal effect associated with HB 2316 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Nancy Wolfe, KDFA