March 26, 2012

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 456 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 456 is respectfully submitted to your committee.

SB 456 would create the Municipality Infrastructure Improvement Program at the Department of Commerce. The purpose of this new program would be to provide grants to cities and counties for paying the cost of infrastructure improvement projects. Cities and counties would be required to apply to the Department of Commerce for consideration of grant monies. The Secretary of Commerce would be responsible for disbursing the grant monies with a preference given to infrastructure improvement projects designed to construct, alter, expand, or improve roads and streets. The Department of Commerce would have the authority to write rules and regulations to administer this new program.

The bill would create the new Municipality Infrastructure Improvement Fund at the Department of Commerce. The Municipality Infrastructure Improvement Fund would be funded with an annual transfer of 20.0 percent of all amounts credited to the Expanded Lottery Act Revenues Fund (ELARF). Under current law, infrastructure improvements are one of the allowable uses for the ELARF. The bill would specify that an allowable use for the ELARF would be for county or city infrastructure improvements.

The Department of Commerce estimates that SB 456 would provide approximately $16,090,800 in funding for the new Municipality Infrastructure Improvement Program in FY 2013. The funding estimates for the new Municipality Infrastructure Improvement Program is based on 20.0 percent of the amounts credited to the ELARF, which is estimated to receive a total of $80,454,000 in FY 2013. The bill would also transfer 20.0 percent of the amounts in the ELARF in FY 2014 and in each future fiscal year. However, there is no current official estimate for the amount of ELARF in FY 2014 and beyond. It should be noted the Governor’s budget recommendations for FY 2013 is to use all ELARF monies for the reduction of state debt and to make state infrastructure improvements.
The Department of Commerce indicates that the bill would require $310,000 in FY 2013 for salary and wages and operational expenses for 3.00 new FTE positions to manage the grant application process and to collect, track, and report data on the new Municipality Infrastructure Improvement Program. The Department assumes that funding for the administration of this program would come from the Municipality Infrastructure Improvement Fund. The Department indicates that factoring in the estimated administrative costs; the agency would be able to provide up to $15,780,800 for grants to cities and counties in FY 2013. Any fiscal effect associated with SB 456 is not reflected in The FY 2013 Governor’s Budget Report.

The League of Kansas Municipalities indicates the bill would provide a dedicated source of funding to provide grants to cities and counties for paying the cost of infrastructure improvement projects. Any fiscal effect on local governments would be dependent on the application and granting process established by the Department of Commerce and what, if any, terms, conditions, or matching requirements are attached to the grant. However, the additional funding for infrastructure improvement projects would help defray cost for local governments. The bill would allow local governments to do larger projects for the same local cost share or avoid additional local cost in an amount equal to the grant amount. Local governments that receive grant awards for infrastructure improvement projects has the potential to stabilize local property taxes in those communities by using funding sources other than property taxes. However, the League of Kansas Municipalities does not have information on the number and amount of grant awards, matching requirements, or grant qualifications to estimate the fiscal effect on local governments.

Sincerely,

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

cc: Jason Glasrud, Commerce
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