

April 16, 2013

The Honorable Ward Cassidy, Chairperson
House Committee on Education Budget
Statehouse, Room 151-S
Topeka, Kansas 66612

Dear Representative Cassidy:

SUBJECT: Fiscal Note for HB 2350 by House Committee on Education

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2350 is respectfully submitted to your committee.

HB 2350 would prohibit the Kansas Department of Education, local boards of education and educational agencies of the state from making and filing application for or receiving any federal funds which are made available for education purposes. However, the bill would allow the State Board of Education to participate in the federal food service program and the federal Impact Aid program.

In addition, the bill would reduce the percentage of state sales tax distributed to the State Highway Fund, beginning in FY 2014. The bill would reduce the distribution from 18.421 percent to 11.924 percent, while crediting, the 6.497 percent difference to the General State Aid account of the Department of Education.

According to the Kansas Department of Education, the state would forfeit approximately \$280.0 million of federal funds in each fiscal year, excluding funds from the federal food service program and the federal Impact Aid program. However, this reduction in federal aid would be offset with approximately \$161.9 million in new revenues from the state sales tax that would otherwise be credited to the State Highway Fund, as estimated by the Kansas Department of Transportation (KDOT). As a result, enactment of HB 2350 would result in a loss of approximately \$118.1 million ($\$161.9 \text{ million} - \$280.0 \text{ million} = \-118.1 million) in total aid by school districts during FY 2014 as a result of the enactment of HB 2350. For FY 2015, KDOT estimates the General State Aid of the Department of Education account would be credited approximately \$183.2 million from sales tax revenue. As a result, school districts would experience a loss of approximately \$96.8 million in funding ($\$280.0 \text{ million} - \$183.2 \text{ million} = \-96.8 million) during FY 2015. The Division of the Budget would note it is not customary to credit an individual agency's State General Fund account with tax revenues. The money would in normal course be deposited in the State General Fund, then appropriated to the agency.

The Honorable Ward Cassidy, Chairperson

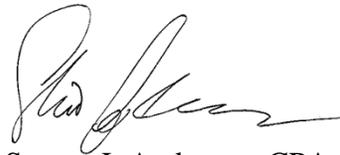
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A request to provide fiscal effect information has been sent to the Kansas Board of Regents, as the bill would prohibit any educational agency of the state from making applications for or receiving federal funds. However, the agency has not responded to this request. As soon as information is received from the agency, the fiscal note for this bill will be updated.

KDOT reports that the reduction in revenues to the State Highway Fund would require reductions and delays to planned projects under the Transportation Works for Kansas (T-WORKS) program. The agency would have to reevaluate the entire T-WORKS program before an estimate could be given for any specific project that would be reduced or delayed. In addition, the agency may need to reconsider the amount of bonds it issues beyond the \$1.3 billion approved for the T-WORKS program. Any fiscal effect associated with HB 2350 is not reflected in *The FY 2014 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: Dale Dennis, Education
Steve Neske, Revenue
Kelly Oliver, Board of Regents