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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

February 21, 2018

REVISED

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Revised Fiscal Note for SB 415 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following revised fiscal note concerning SB 415 is respectfully submitted to your committee.

Current law requires that on each July 1, a transfer from the State General Fund to the State Fair Capital Improvements Fund of an amount equal to, but not to exceed \$300,000, the amount certified to be transferred on June 30 from the State Fair Fee Fund to the State Fair Capital Improvements Fund. For FY 2018 and FY 2019, the amount of that transfer could not exceed \$100,000. SB 415 would eliminate the transfer from the State General Fund to the State Fair Capital Improvements Fund. The bill would require all state sales tax collected by the Kansas State Fair and by any retailer while on the Kansas State Fairgrounds upon the gross receipts from the sale of tangible personal property at retail to be remitted to the Director of Taxation of the Kansas Department of Revenue, who would then remit the sales tax revenue to the State Treasurer to be deposited to the credit of the State Fair Capital Improvements Fund.

During a hearing on a similar bill, the Kansas Department of Revenue reported to the House Agriculture and Natural Resources Budget Committee that it is possible to code all State Fair property in a way similar to how STAR bond entities are coded, so that any transaction that occurred on the State Fair properties would stay with this code. Based on every entity reporting at the Fairground location for FY 2017, the Department estimates that enactment of SB 415 would result in an estimated diversion of \$350,000 in state sales tax collections to the State Fair Capital Improvements Fund annually. This would result in an increase in FY 2019 net revenues to the State Fair of \$250,000 due to the elimination of the \$100,000 transfer from the State General Fund.

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The revenue to the State General Fund would be reduced by a total of \$193,500, due to the elimination of the \$100,000 transfer from the State General Fund, and revenue to the State Highway Fund would be reduced by \$56,500.

Since the original fiscal effect statement was issued, the State Fair has provided information on the fiscal effect of this bill. The agency estimates that, based on calendar year 2017 sales tax submissions, just over \$400,000 in state sales tax at a 6.5 percent rate was generated on the State Fair grounds. This amount would be returned to the agency from the Department of Revenue and the approved \$100,000 transfer from the State General Fund would be eliminated for a net increase in revenue for the agency of \$300,000. The agency indicates that because attendance and spending by fairgoers fluctuates year to year, the net impact of enactment of SB 415 would also fluctuate. Any fiscal effect associated with SB 415 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

cc: Justin Law, State Fair