

January 29, 2019

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2011 by Representative Hoheisel

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2011 is respectfully submitted to your committee.

HB 2011 would provide a sales tax exemption for all sales of textbooks purchased by a student that are required for classes held by public or private postsecondary educational institutions.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	(\$9,100,000)	(\$10,900,000)
Expenditure	--	--	\$1,200	\$1,200
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2011 would decrease state revenues by \$10.9 million in FY 2020. Of that total, the State General Fund is estimated to decrease by \$9.1 million in FY 2020, while the State Highway Fund is estimated to decrease by \$1.8 million in FY 2020. This bill also is estimated to decrease local sales tax revenues; however, the specific estimate of lower local sales tax revenues was not calculated by the Department of Revenue. The Department of Revenue indicates that the provision would have a similar fiscal effect in future fiscal years. According to the Department of Revenue, reissuing sales tax publications and issuing the tax entity exemption certificates would cost \$1,200 from the State General Fund in FY 2020.

To formulate these estimates, the Department of Revenue reviewed data from The College Board, Board of Regents, and the Kansas Independent College Association. According to The College Board, for the 2018-2019 school year, the annual average cost of books and supplies for a full-time undergraduate is \$1,240. The Board of Regents reports a systemwide 2018 headcount of 244,518 and the Kansas Independent College Association reports a 2017 headcount of 25,246 at their 19-member colleges. Assuming that 50.0 percent of the average cost of books and supplies is spent on textbooks within a student population of about 270,000, annual expenditures on textbooks would total approximately \$167.4 million. Exempting sales tax from these purchases would result in a decrease of \$10.9 million in state sales tax collections annually. The Board of Regents indicates that the bill would reduce the total amount of money that students spend on required textbooks to attend classes at postsecondary educational institutions.

The Kansas Department of Transportation (KDOT) indicates that the bill would reduce state revenues to the State Highway Fund as noted above. KDOT indicates that when the state receives lower State Highway Fund dollars it may be required to make corresponding reductions to planned expenditures for projects funded under the comprehensive transportation plan, known as T-WORKS.

The Kansas Association of Counties and the League of Kansas Municipalities indicate that the bill would provide a net reduction to local sales tax collections that are used in part to finance local governments. Any fiscal effect associated with HB 2011 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Ben Cleaves, Transportation
Chardae Caine, League of Municipalities
Jay Hall, Association of Counties
Kelly Oliver, Board of Regents