

March 27, 2012

REVISED

The Honorable Gary Hayzlett, Chairperson
House Committee on Transportation
Statehouse, Room 274-W
Topeka, Kansas 66612

Dear Representative Hayzlett:

SUBJECT: Revised Fiscal Note for HB 2784 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2784 is respectfully submitted to your committee.

Under current law, \$3 of each certificate of title fee and reassignment form fees collected and remitted to the Secretary of Revenue are credited to the VIPS/CAMA Technology Hardware Fund. Current law also authorizes a driver's license photo fee of \$8, which is credited to the Photo Fee Fund. HB 2784 would remove these provisions and would prohibit the Secretary of Revenue from charging any fee associated with the placing of a colored digital photograph on an applicant's driver's license.

The 2008 Legislature created the Division of Vehicles Modernization Fund to finance the integration and modernization of the Vehicle Information Processing System, the Kansas Driver's License System, and the Kansas Vehicle Inventory System with a \$4 surcharge on vehicle registrations until January 1, 2013. Beginning January 1, 2013 the fee is to be deposited in the State Highway Fund. HB 2784 would remove these provisions. The effective date of this bill would be July 1, 2012.

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	--	(\$18,500,000)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2784 would decrease state revenues by approximately \$18.5 million in FY 2013, of which \$14.2 million would be eliminated from agency fee funds and \$4.3 million would be eliminated from the State Highway Fund. The estimated reductions in agency fee funds include the following:

1. \$5.8 million from the Photo Fee Fund (by eliminating the \$8 driver's license photo fee remitted to this fund);
2. \$2.1 million from the VIPS/CAMA Technology Hardware Fund (by eliminating the \$3 of each certificate of title fee and reassignment form fees remitted to this fund); and
3. \$6.3 million from the Division of Vehicles Modernization Fund (by eliminating the \$4 surcharge on vehicle registrations remitted to this fund).

The Department estimates that HB 2784 would reduce revenue to the State Highway Fund by \$6.4 million in FY 2013 by eliminating the \$4 surcharge on vehicle registrations that is scheduled to be remitted to the fund beginning January 1, 2013. However, the Department indicates that the \$2.1 million that would be reduced from the VIPS/CAMA Fund, under the provisions in the bill, would be diverted to the State Highway Fund. Therefore, the total FY 2013 effect on the State Highway Fund from HB 2784 would be a net reduction of \$4.3 million (+\$2,100,000 - \$6,400,000).

The Department indicates that while the bill would prohibit charging the existing \$8 photo fee; it continues the requirement that credentials be produced with statutorily mandated security features and technology. The Department would also be required to find alternative funding sources to fund the Property Valuation Division that is partially supported with revenue to the VIPS/CAMA Fund; and will also be required to provide maintenance, support, and enhancements to the Division of Vehicles Modernization Project that is currently funded with the \$4 surcharge on vehicle registrations. Therefore, the Department assumes that additional support would be provided in the form of transfers from the State Highway Fund in FY 2013 of approximately \$12.1 million to maintain these programs at current operating levels. This estimate includes:

1. \$7.0 million to maintain 20.00 FTE positions in the Division of Motor Vehicles to continue the issuance of driver's license credentials and support driver's license examining offices across the state;
2. \$2.1 million to maintain 20.00 FTE positions in the Property Valuation Division and county support bureaus and provide contractual maintenance and support for the new Orion system; and
3. \$3.0 million to maintain, support, and enhance the Division of Vehicles Modernization Project.

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The Kansas Department of Transportation (KDOT) has provided information on the fiscal effect of this bill which did not get included in the original fiscal note. KDOT concurs with the estimated fiscal effect of HB 2784 provided by the Department of Revenue, but is of the opinion that it should not become the responsibility of the State Highway Fund to replace lost revenue to the Department of Revenue's fee funds. Any fiscal effect associated with HB 2784 is not reflected in *The FY 2013 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: Steve Neske, Revenue
Kim Torrey, KHP
Melissa Wangemann, KAC
Ben Cleaves, KDOT