

April 1, 2013

The Honorable Marc Rhoades, Chairperson
House Committee on Appropriations
Statehouse, Room 111-N
Topeka, Kansas 66612

Dear Representative Rhoades:

SUBJECT: Fiscal Note for HB 2337 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2337 is respectfully submitted to your committee.

Under HB 2337, before any state-owned casino, lottery gaming facility manager, racetrack gaming facility manager, or facility owner licensee pays any prize that requires the completion of an Internal Revenue Service form W-2G, the manager or licensee would be required to check the winner against the state debtor files maintained by the Department of Administration. If it is determined that the person is a state debtor, the state-owned casino and facility operators must withhold the prize to the extent of the amount owed.

The state-owned casino or facility operators would not be subject to any civil, criminal, or administrative liabilities for any prize that was mistakenly withheld provided that it was not due to any intentionally malicious, wanton, or negligent act by the casino or facility operator. The only remedy for a person whose winnings are wrongfully withheld would be to submit an appeal to the Department of Administration. Withheld winnings must be submitted to the State Treasurer and credited to the Department of Administration's Setoff Clearing Fund. The Department would be permitted to work with state-owned casinos for the purposes of the state debt setoff program. State-owned casinos and facility operators may use provisions in existing law to insure that prizes or winnings from pari-mutuel wagering valued at \$600 or more would be subject to the debt setoff program.

The Kansas Racing and Gaming Commission indicates that passage of the bill would require additional staff time to modify regulations, facility operator internal controls, and audit programs. However, it is estimated that the costs associated with these activities would be negligible and, under the Kansas Expanded Lottery Act, would be reimbursed by facility operators.

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According to the Department of Administration, the expenditures resulting from expanding the debt setoff program would stem from programming existing software and implementing the requirements of HB 2337. The Department expects those costs to be negligible and accomplished with existing resources.

Based on data from similar legislation passed in the State of Colorado, the Department of Children and Families (DCF) anticipates that the bill would increase child support collections by \$157,300, annually (110 intercepts X \$1,430 per intercept). In calendar year 2009, Colorado's child support collections program collected approximately \$396,000 through 277 intercepts or about \$1,430 per intercept. It is expected that the Kansas average collection per intercept would be similar. The Department states that while Kansas and Colorado caseloads are comparable in size, Colorado has more gaming sites than Kansas. As a result, it is estimated that Kansas would have about 40.0 percent of the Colorado intercepts or approximately 110 gaming intercepts per year. DCF indicates that nearly all of the total amount that would be collected under HB 2337 would be distributed to Kansas families. The only expense DCF expects to incur is the recovery assistance fee imposed by the Department of Administration which could approach approximately \$8,000 per year but which could be absorbed within existing DCF resources. Any fiscal effect associated with HB 2337 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,



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

cc: Pam Fink, DofA
Brandi White, KRGC
Stephen Durrell, Lottery