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Jon Hummell, Interim Director

Division of the Budget

Sam Brownback, Governor

January 21, 2014

The Honorable Julia Lynn, Chairperson
Senate Committee on Commerce
Statehouse, Room 445-S
Topeka, Kansas 66612

Dear Senator Lynn:

SUBJECT: Fiscal Note for SB 262 by Senate Committee on Commerce

In accordance with KSA 75-3715a, the following fiscal note concerning SB 262 is respectfully submitted to your committee.

SB 262 would amend the Promoting Employment Across Kansas (PEAK) Act to allow a company that has already entered into an agreement to receive PEAK benefits prior to January 1, 2013 to apply to the Secretary of Commerce to extend those benefits for up to two additional years. The extension of PEAK benefits would be at the discretion of the Secretary of Commerce and would allow the qualified company to receive all benefits that were intended under the original PEAK agreement.

Under current law, the amount of wages that the qualifying company pays at or above the median wages of the county are used to determine the length of the PEAK benefit agreement. The bill would also allow the average wages of the county to be used instead to determine the length of the PEAK benefit agreement. The bill would allow the amount of unused or unallocated PEAK benefits under the $6.0 million annual cap for the expansion of businesses that are already located in Kansas to be carried over and used in any future fiscal year.

The Department of Revenue estimates that SB 262 would have a negligible fiscal effect on State General Fund revenues. Allowing the use of average wages would allow more new employees' withholding taxes to be eligible for benefits under the PEAK program; however, the amount cannot be estimated. The Department of Revenue is unable to estimate the number of existing PEAK benefit agreements that would be extended to make a reliable estimate of the fiscal effect on state revenues. PEAK cost estimates prior to tax year 2013 were much greater due to higher income tax rates and allowing a two-year extension would cause the withholding benefits to almost equal the original cost estimates, assuming the total amount of employer withholding taxes to be retained by the PEAK-qualified business with the extension matches what the PEAK-qualified business would have received without the individual income tax rate reductions put in place by 2012 HB 2117 and 2013 HB 2059.

The Department of Commerce currently manages the PEAK Program and is responsible for determining if a company is qualified to receive PEAK benefits. The Department of Commerce indicates that the proposed changes to the PEAK Program could be implemented within the agency's existing resources and staff levels. Any fiscal effect associated with SB 262 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,

Jon Hummell,
Interim Director of the Budget

cc: Dan Lara, Commerce
Steve Neske, Revenue