

SESSION OF 2016

**CONFERENCE COMMITTEE REPORT BRIEF
HOUSE BILL NO. 2509**

As Agreed to April 29, 2016

Brief*

Senate Sub. for HB 2509, as amended, would grant the Secretary of Commerce discretionary authority to assess and collect the following amounts for the administration of various economic development programs:

- Up to \$750 for applications to the Kansas Industrial Training, the Kansas Industrial Retraining, Promoting Employment Across Kansas, and the Job Creation Fund programs;
- Up to 1 percent of the amount of Sales Tax and Revenue (STAR) bonds issued, not to exceed \$200,000, plus any actual administrative costs that exceed the fee, which would be payable from the bond proceeds;
- Up to 1 percent of private activity bonds issued, not to exceed \$200,000, plus any actual administrative costs that exceed the fee, which would be payable by the issuer, bond proceeds, or both; and
- Up to 2 percent of funds transferred to the State Affordable Airfare Fund.

The Secretary would be authorized to adopt rules and regulations to administer the bill. Revenue collected would be

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deposited in administrative funds the bill would create for the programs listed above.

Conference Committee Action

The Conference Committee retained the provisions of the Senate substitute bill and further amended it to place additional limitations of a \$200,000 cap plus any additional actual administrative costs on the fees collected from STAR bonds and private activity bonds.

Background

The Senate Committee on Commerce deleted the contents of HB 2509, as amended by the House Committee of the Whole, which would have revised the administrative powers of the Executive Chief Information Technology Officer (E-CITO), and inserted the amended provisions of SB 493. The following is the background of both bills.

HB 2509 Background

The bill was introduced by the House Committee on Vision 2020. At the House Committee on Vision 2020 hearing, a representative of Legislative Division of Post Audit testified, providing the Committee with an overview of the 2014 State Agency Information Systems Audit and explaining the information technology security concerns. Proponent testimony was provided by the E-CITO. The E-CITO stated there are real and present risks requiring increased diligence and rigor, and centralizing information security presents a clear benefit to the State. Neutral testimony was provided by the Chief Information Officer of the Kansas Bureau of Investigation explaining, while the bill would provide stronger security, there are concerns about the potential impact to the Kansas Bureau of Investigation mission and to other criminal justice entities. The Interim Secretary of Corrections provided

written neutral testimony explaining increased security is important; however, there are concerns about the E-CITO's ability to review funding allocations.

On February 17, 2016, the House Committee amended the bill to:

- Specify the bill applies to the executive branch state agencies, and to define executive branch agencies;
- Establish and clarify additional duties to the E-CITO;
- Establish the Kansas Information Security Office and clarify the responsibilities of the Executive Chief Information Security Officer;
- Exempt certain agencies from the provisions of the bill;
- Prohibit the E-CITO from sweeping funds or personnel the agency has deemed essential; and
- Remove the annual requirement that the executive branch state agencies submit a three-year information technology management and budget plan that includes planned expenses for information technology.

On February 23, 2016, the House Committee further amended the bill to make technical amendments.

The House Committee of the Whole made technical amendments to the bill.

SB 493 Background

SB 493, introduced by the Senate Committee on Federal and State Affairs, was a recommendation contained in the *Kansas Statewide Efficiency Review*. During the hearing before the Senate Committee on Commerce, a representative from the Kansas Chamber of Commerce spoke in favor of the bill, expressing support for the efficiency recommendations that could offer significant cost savings.

A representative of the League of Kansas Municipalities spoke in opposition to the bill, questioning the relationship between the fees charged and the costs of services provided. Representatives of the Kansas Board of Regents and Kansas Society of Professional Engineers spoke in opposition to the bill, explaining the bill would negatively affect the dollar-for-dollar matching requirement of the University Engineering Initiative Act, a program that encourages college students to become professional engineers.

The Secretary of Commerce provided neutral testimony, stating additional research is necessary to ensure fees are not cost prohibitive. Representatives from the cities of Lenexa and Olathe also provided neutral testimony, questioning the relationship between the revenue the bill would raise and the administrative costs associated with various economic development programs.

The Senate Committee amended the bill to:

- Authorize the fee charged on STAR bonds to be discretionary; and
- Delete authorization for fees to be charged to funds appropriated under the University Engineering Initiative Act.

The Senate Committee of the Whole amended the bill to decrease the amount collected from private activity bonds from 5 percent to 1 percent.

[Note: The Conference Committee report includes the above provisions.]

Fiscal Notes for HB 2509 and SB 493

According to the March 4, 2016, revised fiscal note prepared by the Division of the Budget on the original bill, it is estimated any fiscal effect resulting from the passage of HB 2509 would be handled within existing executive branch information technology expenditures. The Office of Information Technology Services (OITS) indicates the bill would allow information technology activities, particularly information security activities to be centralized and improved in the executive branch. According to OITS, the administrative flexibility OITS currently possesses would allow it to limit and control expenditures within the aggregate executive branch information security budget. The previously revised fiscal note dated February 9, 2016, indicated the bill would require additional State General Fund expenditures of \$2.8 million in FY 2017, \$5.5 million in FY 2018, and \$8.3 million in FY 2019, and these expenditures would have been in addition to current information security spending by executive branch agencies. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2017 Governor's Budget Report*.

According to the fiscal note prepared by the Division of the Budget, in consultation with the Department of Commerce, the University of Kansas, Kansas State University, Wichita State University, the League of Kansas Municipalities, and the Kansas Association of Counties, SB 493, as introduced, would increase other fund revenues by approximately \$1.2 million in FY 2017. The *Kansas Statewide Efficiency Review* estimated the recommendation would raise \$3.0 million annually.

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