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Shawn Sullivan, Director of the Budget

Sam Brownback, Governor

January 31, 2017

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 34 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 34 is respectfully submitted to your committee.

Under current law, the definition of "foreign state or foreign agency" as it is used regarding the Debt Setoff Program includes the states of Colorado, Missouri, Nebraska or Oklahoma. SB 34 would amend the definition to include any state, district or territory of the U.S.A. or any agency of such state, district or territory.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	$290,000	$320,000	$290,000	$350,000
Expenditure	--	$49,776	--	$78,576
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 34 could increase State General Fund revenues by $290,000 annually. To formulate these estimates, the Department of Revenue reviewed data on the state's reciprocal agreement with the State of Missouri, which is the only state with which Kansas has a reciprocal agreement for setoff collections. Since the agreement began in calendar year 2010, the Department has received total collections of $3.5 million or approximately $580,000 per year. If agreements are reached with other states, State General Fund revenues would increase. According to Internal Revenue Service migration information for calendar years 2014-2015, Texas is the state with the second highest number of Kansas migrants. Generally, Texas has about half of the number of Kansas migrants compared to Missouri. Using these assumptions, if a reciprocal agreement were to be reached with Texas, State General Fund revenues could increase by $290,000 ($580,000 annual Missouri collections X 0.5 or half the number of Kansas migrants in Missouri).

The bill would also require additional expenditures of $19,776 for the Department of Revenue in FY 2018. This includes $18,576 for administrative costs plus $1,200 for 40 hours of work to modify information systems. It is expected that the administrative costs would be ongoing.

The Department of Administration estimates that it would require additional expenditures of $30,000 in FY 2018 and $60,000 in FY 2019. The estimate assumes that the agency cost for each reciprocal agreement is approximately $15,000 per year, which is the estimated cost of the current agreement with Missouri. The estimate also assumes that no more than two additional reciprocal arrangements would be reached per year. Currently, there is no mechanism for the Department of Administration to recover costs associated with the Missouri reciprocal agreement. The Department assumes that all future agreements would include a provision for the collection of fees to recover program costs. This would result in fee fund revenues of $30,000 and $60,000 in FY 2018 and FY 2019, respectively. The Department's estimate also assumes that the agency would be able to accommodate additional agreements within existing IT capabilities, equipment and staffing. Depending on the volume of activity of future agreements, some additional IT programming or staffing may be required. Any fiscal effect associated with SB 34 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

Shawn Sullivan,
Director of the Budget

cc: Colleen Becker, Department of Administration
Jack Smith, Department of Revenue