

February 18, 2019

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 135 by Senator Hilderbrand, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning SB 135 is respectfully submitted to your committee.

SB 135 would add Atchison, Cowley, Crawford, Dickinson, Franklin, and Pottawatomie counties to the list of 77 counties that are currently designated as Rural Opportunity Zones. The Rural Opportunity Zones Program helps attract financial investment, business development, and job growth in rural areas of the state. The program offers individuals who relocate from outside the state to a county that has been designated as a Rural Opportunity Zone the opportunity to participate in the Student Loan Forgiveness Program and receive a 100.0 percent state income tax credit through tax year 2021.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	(\$472,000)	(\$472,000)
Expenditure	--	--	\$139,490	\$139,490
FTE Pos.	--	--	--	1.00

The Department of Revenue estimates that allowing Atchison, Cowley, Crawford, Dickinson, Franklin, and Pottawatomie counties to be designated as Rural Opportunity Zones would decrease State General Fund revenues by \$472,000 in FY 2020, FY 2021, and FY 2022 because of the state income tax credit. The Department of Revenue indicates that it would require a total of \$11,690 from the State General Fund in FY 2020 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by

existing staff of the Department of Revenue and outside contract programmer services. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

The Department of Commerce indicates that it is currently responsible for administering the Rural Opportunity Zones Program. No information exists to accurately estimate the number of individuals who would qualify for the Student Loan Forgiveness Program. Assuming that 42 individuals would qualify for the Student Loan Forgiveness Program; the Department of Commerce would require approximately \$63,000 from the State General Fund in FY 2020 for the state obligations of this program. However, the amount may be significantly higher or significantly lower depending on the level of participation by Atchison, Cowley, Crawford, Dickinson, Franklin, and Pottawatomie counties that would be responsible for the local match for this program. The Department indicates that it is at maximum work capacity for reviewing applications for Rural Opportunity Zones. The Department estimates additional expenditures of \$64,800 from the State General Fund in FY 2020 for an additional 1.00 FTE position to review applications from individuals that are proposing to move to the new Rural Opportunity Zones proposed in the bill. Any fiscal effect associated with SB 135 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell", written in a cursive style.

Larry L. Campbell
Director of the Budget

cc: Sherry Rentfro, Commerce
Lynn Robinson, Department of Revenue