

January 22, 2024

The Honorable Ken Rahjes, Chairperson
House Committee on Agriculture and Natural Resources
300 SW 10th Avenue, Room 112-N
Topeka, Kansas 66612

Dear Representative Rahjes:

SUBJECT: Fiscal Note for HB 2541 by House Committee on Agriculture and Natural Resources

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2541 is respectfully submitted to your committee.

The bill would create the State Conservation Fund, which would be used to supplement existing appropriations and would not be used to supplant State General Fund or special revenue fund appropriations for the Kansas Department of Agriculture and the Department of Wildlife and Parks. On July 1, 2024, and each July 1 thereafter, the Secretary of Revenue would certify to the Director of Accounts and Reports, of the Department of Administration, the amount of total retail sales and compensating use taxes credited to the State General Fund from sporting goods for the preceding calendar year. Upon receipt, or as soon as moneys are available, the Director of Accounts and Reports would transfer 50.0 percent of the certified amount from the State General Fund to the State Conservation Fund. The Director would also send a copy of the certification to the Director of the Budget and the Director of Legislative Research.

The bill would create the following funds: the Working Lands Conservation Fund that would be administered by the Director of the Division of Conservation of the Kansas Department of Agriculture; the Wildlife Conservation Fund that would be administered by the Secretary of Wildlife and Parks; and the Kansas Outdoors Fund that would be administered by the Secretary of Wildlife and Parks and would be part of the Parks Division of the agency. Each agency would adopt rules and regulations to administer a grant program to expend the moneys from the newly created funds. Each agency would also solicit input and facilitate public comment from industry members and stakeholders when developing the rules and regulations. Each Secretary would establish an external review panel or volunteer advisory board. The review panel or advisory board would provide funding recommendations and review and, in some cases, approve the budget. The bill lists who would be eligible to receive funding from the grants and the uses of the funds.

Applicants that provide an opportunity to capture federal, private, or other nonstate matching moneys would be prioritized.

The intent of the Legislature would be that all allocated moneys would be obligated within 12 months of allocation. On or before each December 1, the agency would submit a report to the Governor and the Legislature, and the bill would detail the items to be included in the report. The agencies would be allowed to use a portion of the funds to pay for relevant expenses to administer the grant programs. On July 15, 2024, and each July 15 thereafter, the Director of Accounts and Reports would transfer 50.0 percent of the balance in the State Conservation Fund to Working Lands Conservation Fund, 25.0 percent to the Wildlife Conservation Fund, and the remaining balance to the Kansas Outdoors Fund.

Currently, 80.0 percent of the funds in the Lottery Operating Fund from sports wagering are transferred to the Attracting Professional Sports to Kansas Fund, of the Department of Commerce. The bill would cease the transfer to the Attracting Professional Sports to Kansas Fund and would redirect the transfer to the State Conservation Fund starting July 1, 2024. Also, on July 1, 2024, and each ensuing July 1, or as soon as moneys are available, the Director of Accounts and Reports would transfer \$32.0 million from the Lottery Operating Fund to the State Conservation Fund.

The Department of Commerce states it has received one transfer of approximately \$4.1 million to the Attracting Professional Sports to Kansas Fund from sports wagering revenue. The Department has not expended any of those funds to date. If the bill were enacted, the Department would no longer receive approximately \$4.1 each year from a transfer from the Lottery Operating Fund. This estimate assumes that sports wagering revenues would remain consistent in future years. The agency does not know if any future recruitment efforts or negotiations would occur to bring a professional sports team to Kansas.

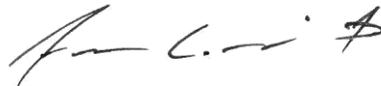
According to the Kansas Lottery, because the bill requires a transfer of \$32.0 million each July 1 into the newly created State Conservation Fund, the bill would reduce the amount of funds transferred from the Lottery Operating Fund into the State Gaming Revenue Fund (SRGF) and would also make the transfer to the SGRF fall below the statutory \$50.0 million. This would in turn reduce the transfers each year into the State General Fund (SGF), the Economic Development Initiatives Fund (EDIF), the Correctional Institutions Building Fund (CIBF), and the Juvenile Alternatives to Detention Fund (JADF). Based on the Consensus Revenue Estimates for FY 2025, the reductions would be \$21,490,000 to the SGF, \$8,933,500 to the EDIF, \$1,051,000 to the CIBF, and \$525,500 to the JADF. In addition, because the \$32.0 million transfer into the State Conservation Fund would short the statutory \$50.0 million transfer to the SGRF, the projected \$1,656,474 from sports wagering that would typically transfer out to the State General Fund would stay with the SGRF to shore up the statutory transfer in FY 2025. Therefore, the shortfall to the SGF would be \$23,146,474 in FY 2025.

The Department of Agriculture and the Department of Wildlife and Parks both state that the requirements of the bill would increase expenditures beginning in FY 2025. The Department of Agriculture estimates it would require 1.50 FTE positions to adequately review, amend, approve, and follow-up on grant applications and funding agreements and to verify completion of the scope of each approved project. The agency estimate of annual administrative expenditures

would be \$120,000 from the newly created State Conservation Fund starting in FY 2025. The Department of Wildlife and Parks estimates that it would require 2.00 FTE positions, one for the Wildlife Division and one for the Parks Division. These positions would perform the same duties as the new positions in the Department of Agriculture. The agency estimate of annual administrative expenditures would be \$132,000 from the newly created State Conservation Fund starting in FY 2025.

The Department of Revenue estimates, based on actual retailer's sales and compensating use tax collections from January 2021 thru October 2023, that the transfers into the State Conservation Fund are estimated at \$18.4 million for FY 2025 and \$18.5 million for FY 2026. The agency states that certification of the amounts to the Director of Accounts and Reports can be absorbed within existing resources. Any fiscal effect associated with HB 2541 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. Proffitt
Director of the Budget

cc: Lita Biggs, Department of Agriculture
Terry Bruce, Department of Wildlife & Parks
Lynn Robinson, Department of Revenue
Keith Kocher, Kansas Lottery
Sherry Rentfro, Department of Commerce