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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

March 20, 2018

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 448 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 448 is respectfully submitted to your committee.

SB 448 would create the Joint Economic Development Incentive Review Committee. The Committee would comprise seven members, including two members selected by the Kansas Senate President, two members by the Speaker of the Kansas House of Representatives, one member by the Minority Leader of the Kansas Senate, one member by the Minority Leader of the Kansas House of Representatives, and one member by the Chairperson of the Legislative Post Audit Committee. The bill would outline procedures for selecting the chairperson and vice-chairperson, as well as when the Committee would be authorized to meet.

The Committee would be required to develop an inventory of all Kansas economic development incentives, which would be updated annually. The committee would be required to develop a schedule ensuring that incentives are evaluated at least once every five years by the Post Auditor. In addition, a public hearing would be required on each of the incentive evaluations by the Post Auditor.

The bill would require the Post Auditor to evaluate economic development incentives according to the schedule adopted by the Committee. In addition, the Post Auditor would complete an initial one-time study by July 1, 2019, to determine the purpose of each incentive, the data available, and what additional information may be needed to facilitate future evaluations.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$169,405	\$169,405
FTE Pos.	--	--	--	1.00

According to the Legislative Division of Post Audit, enactment of SB 448 would require establishing a new three-person economic incentives audit team within the agency to perform the required evaluations. The agency would “phase-in” these new positions by adding 1.00 FTE Auditor in FY 2019 at a cost of \$90,000 from the State General Fund for the salary and benefits of the position and \$3,000 for telephone and other office equipment. An additional 2.00 FTE Auditor positions would be added in FY 2020 at a cost of \$150,000 for salaries and benefits, all from the State General Fund. The agency notes that the approximately ten to 12 performance audits are completed each year at the discretion of the Legislative Post Audit Committee. The agency also notes that if the proposed economic incentives audit team would not be funded, the agency would be required to reduce approximately three to four performance audits per year to accommodate the provisions of SB 448.

Legislative Administrative Services indicates that the enactment of the bill would result in the Committee meeting six times each fiscal year. This meeting frequency would require additional expenditures totaling \$76,405 in FY 2019, all from the State General Fund. This estimate includes \$23,854 for legislator pay, \$2,551 for a committee assistant and expenses, and \$50,000 for professional services, as authorized by the bill. These estimates were based on current salary, subsistence and mileage reimbursement rates in effect on July 1, 2018. Costs in future years would likely be higher, as legislative salaries, subsistence and mileage reimbursement rates would likely increase. Any fiscal effect associated with SB 448 is not reflected in *The FY 2019 Governor’s Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

- cc: Rick Riggs, Post Audit
Lynn Robinson, Department of Revenue
Bob North, Commerce
Karen Clowers, Legislative Services