

February 12, 2019

The Honorable Julia Lynn, Chairperson
Senate Committee on Commerce
Statehouse, Room 445-S
Topeka, Kansas 66612

Dear Senator Lynn:

SUBJECT: Fiscal Note for SB 5 by Senators Faust-Goudeau and Ware

In accordance with KSA 75-3715a, the following fiscal note concerning SB 5 is respectfully submitted to your committee.

SB 5 would create the Kansas Reinvestment Act to promote job creation and economic development in impoverished areas of the state and promote the growth of communities in those areas by providing financial assistance to small businesses and community organizations. The bill would define an “impoverished area” as a zip code area where the median income does not exceed 70.0 percent of the state median income, according to United States Census Bureau data for the most recent year available. The Kansas Reinvestment Program would be established as a new program within the Department of Commerce with a program manager appointed by the Secretary of Commerce.

The bill would create a new fund in the State Treasury entitled the Kansas Reinvestment Act Fund. Subject to appropriations acts, the Director of Accounts and Reports would transfer \$1,250,000 from the State General Fund to the Kansas Reinvestment Act Fund each year on July 1, 2019, through July 1, 2022. The program would be authorized to use up to 10.0 percent of the amount transferred each year to the Kansas Reinvestment Act Fund for administering the program. The bill would outline loan terms of the program.

The bill outlines business activities that would not be eligible for loans under the program, including nude or semi-nude dancing; pornography; sale of alcoholic liquor; sales of cigarettes, pipe tobacco, or pipes; loans utilizing title to vehicles as collateral; and check cashing. The Kansas Reinvestment Act would sunset on July 1, 2023.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	(\$1,250,000)	--
Expenditure	--	--	\$125,000	\$250,000
FTE Pos.	--	--	--	2.00

Enactment of SB 5 would reduce revenues to the State General Fund by \$1,250,000 each year as a result of the transfers authorized to the newly created Kansas Reinvestment Act Fund. The Department of Commerce indicates that it would require first-year expenditures totaling \$250,000, as well as 2.00 FTE positions, including 1.00 Program Manager and 1.00 support staff. Of this amount, \$200,000 would be for salaries and wages and \$50,000 would be for other operating expenditures, including computers and office equipment. The agency estimates that of the \$250,000, \$125,000 or 10.0 percent of the \$1,250,000 would come from the Kansas Reinvestment Act Fund and the remaining \$125,000 would come from the State General Fund.

After the first year, the Department estimates expenditures for the program each year totaling \$225,000, including \$200,000 for salaries and wages and \$25,000 for other operating expenditures. The agency estimates that of the \$225,000, \$125,000 or 10.0 percent of the \$1,250,000 would come from the Kansas Reinvestment Act Fund and the remaining \$100,000 would come from the State General Fund. After administration costs, the program would have approximately \$1,125,000 to loan in FY 2020 through FY 2023. Any fiscal effect associated with SB 5 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Sherry Rentfro, Commerce