

February 3, 2020

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

Dear Senator Lynn:

SUBJECT: Fiscal Note for SB 251 by Senator Olson

In accordance with KSA 75-3715a, the following fiscal note concerning SB 251 is respectfully submitted to your committee.

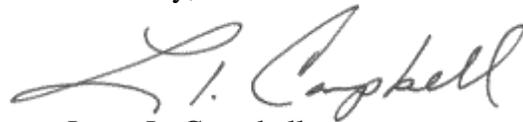
In nearly all cases, current law requires that business entities file an annual report with the Secretary of State. SB 251 would amend this filing requirement to allow these reports to be filed annually, biennially, or triennially. A business would be required to notify the Secretary if it chooses to file biennially or triennially, and any changes to this choice could be made at any time, with the change to be effective on the first day of the tax period immediately following receipt of the notice of change by the Secretary. The current filing fee is set in statute and regulation, and SB 251 would not alter the fee amount, but would require a business electing to file a report biennially or triennially to multiply the filing fee by the number of tax periods included in the report.

| Estimated State Fiscal Effect | | | | |
|-------------------------------|----------------|----------------------|---------------------------|---------------------------|
| | FY 2020 SGF | FY 2020 All Funds | FY 2021 SGF | FY 2021 All Funds |
| Revenue | -- | -- | (\$0.00-\$7.1 million) | (\$0.00-\$8.5 million) |
| Expenditure | -- | \$125,512 | -- | \$108,612 |
| FTE Pos. | -- | -- | -- | 2.00 |

According to the Secretary of State, enactment of SB 251 would result in increases to agency expenditures for internal and vendor costs. The agency is currently in the process of modernizing the business filing system, which includes a new report system. The implementation date of the bill would require the existing AS 400 system to be modified, which would shift resources away from the development of the new business filing system. The agency estimates that it would need to redirect 1.00 existing FTE position for at least six months to reprogram the AS 400 and estimates that at least 2.00 additional FTE positions would be needed to process notifications of change of reporting date; process an anticipated increase in reinstatements; assist customers with questions about filing options; and provide information, notices, and education to businesses about filing options. Enactment of the bill in late FY 2020, however, would result in salary and wage expenses for three months rather than six months, for a cost of \$27,612. Vendor costs for reprogramming or rewriting the online system would be approximately \$97,900 and would be included in the FY 2020 expenditures. Salaries and wages expenditures for 2.00 new FTE and 0.25 existing FTE positions in FY 2021 are expected to be \$102,612 and one-time expenditures for computers, monitors, and office space reconfiguration are expected to be approximately \$6,000, for a total cost in FY 2021 of \$108,612.

Currently, of the \$55 paid by a business entity to file an annual report, \$40 goes to the State General Fund and \$15 goes to the agency fee fund. Approximately \$7.1 million is credited annually to the SGF and \$1.4 million to the agency fee fund. Over a three-year period, enactment of SB 251 would not be expected to result in significant changes to total revenue. However, if a large number of business entities elected to file on a triennial basis, the SGF and agency fee fund could have a two-year period where revenue is greatly diminished. However, the agency is unable to speculate what number of businesses might choose to make these changes and, thus, what fluctuations in revenue might result. Any fiscal effect associated with SB 251 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Sandy Tompkins, Office of the Secretary of State