

January 31, 2023

The Honorable Sean Tarwater, Chairperson  
House Committee on Commerce, Labor and Economic Development  
300 SW 10th Avenue, Room 346-S  
Topeka, Kansas 66612

Dear Representative Tarwater:

**SUBJECT:** Fiscal Note for HB 2123 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2123 is respectfully submitted to your committee.

HB 2123 would enact the Right-to-Start Act. The bill would create the Office of Entrepreneurship within the Department of Commerce. The Office would strengthen policies and programs supporting the growth of entrepreneurship by working with stakeholders and organizations currently supporting entrepreneurship and by being a point of contact to assist businesses in interactions with the state government. Beginning July 1, 2023, the State of Kansas would encourage:

1. Five percent of state contracts would be awarded to business in operation for less than five years whose principal place of business is in Kansas;
2. Five percent of workforce development funding would go toward supporting organizations or programs for individuals starting new businesses or businesses in operation within the previous five years whose principal place of business is in Kansas;
3. Five percent of funding budgeted for economic development programs, including community development block grants, would be allocated for supporting individuals starting new businesses or to organizations or programs that provide services to businesses established within the previous five years and whose principal place of business is in Kansas; and
4. Elimination of all first-year business license and registration fees for any new business or person establishing a new business whose principal place of business is in Kansas.

No later than January 31, 2024, the Office of Entrepreneurship would be required to submit a report to certain Legislative committees detailing:

1. The number and total dollar amount of state contracts awarded, the percentage of the number of state contracts awarded, percentage of total dollar amount of state contracts awarded, and recommendations on improving access to state contracts for Kansas businesses in operation for less than five years;
2. The percentage and total dollar amount of workforce development funding supporting organizations or programs for individuals starting new businesses or businesses in operation within the previous five years whose principal place of business is in Kansas;
3. The percentage and total dollar amount of economic development programs, including community development block grants, supporting individuals starting new businesses or to organizations or programs that provide services to businesses established within the previous five years and whose principal place of business is in Kansas; and
4. The extent to which state legislation that has been signed by the Governor in the prior legislative session or year supports, hinders, or otherwise affects businesses operating for five years or less.

The Department of Commerce indicates HB 2123 would require expenditures of \$338,000 from the State General Fund for FY 2024 to implement the Act. The agency would request 2.00 FTE Program Managers positions at a cost of \$94,500 per position (2 x \$94,500 = \$189,000), and 1.00 FTE Administrative Assistant position at a cost of \$54,000. The agency would also request \$95,000 for operating expenditures, which would include funding for additional software and conducting research and surveys to understand the entrepreneurship landscape in Kansas.

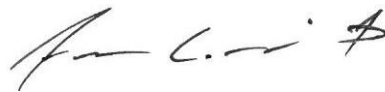
The Department of Revenue states it would need to make changes to several forms, publications, and letters, databases, as well as its website. The agency estimates that HB 2123 would have a fiscal impact of \$19,355 on its operations, including \$7,355 for business support services and \$12,000 for information technology. The agency also estimates that no registration and license fees for new businesses could reduce state revenues by approximately \$25,639.

The Secretary of State indicates that the elimination of new businesses filing would be an ongoing reduction in revenues with no end date. The agency estimates that the elimination of first-year business filings under HB 2123 would reduce State General Fund revenues by approximately \$4,711,445 and \$491,940 in agency fee fund revenue for FY 2024. In its calculations, the agency assumed that filing fees eliminated for first-year businesses would include fees for business formation filings. The agency is not able to estimate the fiscal effect of the elimination of amendment filing fees. Amendment filings are voluntary, and the agency does not track the number of filings filed by first-year businesses versus businesses in existence for longer periods of time. The agency would also incur costs to program its filing system to track first-year businesses to allow filings at no cost. The agency cannot estimate the cost of the programming needed.

The Kansas Legislature indicates that HB 2123 would have no fiscal effect on its operations. Any fiscal effect associated with HB 2123 is not reflected in *The FY 2024 Governor's Budget Report*.

The Kansas Association of Counties and the League of Kansas Municipalities indicate HB 2123 would not have a fiscal effect.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt". The signature is fluid and cursive, with a distinct flourish at the end.

Adam Proffitt  
Director of the Budget

cc: Sherry Rentfro, Department of Commerce  
Karen Clowers, Legislative Services  
Lynn Robinson, Department of Revenue  
Jay Hall, Kansas Association of Counties  
Wendi Stark, League of Kansas Municipalities  
Sandy Tompkins, Office of the Secretary of State