

February 22, 2012

The Honorable Les Donovan, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 411 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 411 is respectfully submitted to your committee.

SB 411 would amend the Promoting Employment Across Kansas (PEAK) Act to no longer allow projects that retain jobs to qualify for PEAK benefits and eliminate the definition of “retained job.” The bill would also require that new employees of a qualified company be either an existing employee who resides out of state and physically relocates to Kansas, or had no employment history with the qualified company and was hired after the qualified company was awarded PEAK benefits.

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	\$2,200,000	\$2,200,000
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 411 would increase State General Fund revenues by \$2.2 million in FY 2013. The increase in revenues and how the November 4, 2011 consensus revenue estimate for FY 2013 would be affected are shown in the following table:

Effect on FY 2013 Consensus Revenue Estimates
 (Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 4, 2011)	Change in Revenue FY 2013	Proposed Adjusted CRE FY 2013
Motor Carrier	\$ 21,000	\$ --	\$ 21,000
Income Taxes:			
Individual	3,065,000	2,200	3,067,200
Corporate	240,000	--	240,000
Financial Institutions	24,000	--	24,000
Excise Taxes:			
Retail Sales	2,200,000	--	2,200,000
Compensating Use	335,000	--	335,000
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	102,800	--	102,800
All Other Excise Taxes	96,000	--	96,000
Other Taxes	<u>141,000</u>	<u>--</u>	<u>141,000</u>
Total Taxes	\$6,322,800	\$ 2,200	\$6,325,000
Other Revenues:			
Interest	\$ 7,400	\$ --	\$ 7,400
Transfers	(90,300)	--	(90,300)
Agency Earnings	<u>51,500</u>	<u>--</u>	<u>51,500</u>
Total Other Revenues	(\$ 31,400)	\$ --	(\$ 31,400)
Total Receipts	\$6,291,400	\$ 2,200	\$6,293,600

The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2014</u>	<u>FY 2015</u>
State General Fund	\$3,900,000	\$3,200,000

To formulate these estimates, the Department of Revenue reviewed data on the PEAK Program from the Department of Commerce. Under current law, the total amount of PEAK benefits that are provided to qualified companies for retained jobs is capped at \$1.2 million in FY 2013, \$2.4 million in FY 2014, and \$1.2 million in FY 2015. The Department of Revenue estimates that the full amount of PEAK benefits for retained jobs would be provided to companies in each of the capped years. Eliminating retained jobs from receiving PEAK benefits would increase State General Fund revenues by \$1.2 million in FY 2013, \$2.4 million in FY 2014, and \$1.2 million in FY 2015. Changing the definition of a new employee has the potential to reduce the amount of PEAK benefits that a company would be eligible to receive, which

The Honorable Les Donovan, Chairperson


February 22, 2012

Page 3—411

would increase State General Fund revenues by an estimated \$1.0 million in FY 2013, \$1.5 million in FY 2014, and \$2.0 million in FY 2015. Therefore, the net fiscal effect of the bill is estimated to increase State General Fund revenues by \$2.2 million in FY 2013 (\$1.2 million + \$1.0 million), \$3.9 million in FY 2014 (\$2.4 million + \$1.5 million), and \$3.2 million in FY 2015 (\$1.2 million + \$2.0 million).

The Department of Commerce indicates that it currently manages the PEAK Program and is responsible for determining if a company is qualified to receive PEAK benefits. The Department indicates that the proposed changes to the PEAK Program could be implemented within the agency's existing resources and staff levels. Any fiscal effect associated with SB 411 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Jason Glasrud, Commerce
Steve Neske, Revenue