

March 12, 2012

The Honorable Steve Brunk, Chairperson
House Committee on Federal and State Affairs
Statehouse, Room 149-S
Topeka, Kansas 66612

Dear Representative Brunk:

SUBJECT: Fiscal Note for HB 2775 by House Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2775 is respectfully submitted to your committee.

HB 2775 would provide that if a person won \$1,200 or more at a state-owned casino, the winnings would be intercepted if that person owed more than \$25 in past due support in a Title IV-D Child Support Enforcement case.

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	--	--
Expenditure	--	--	--	\$150,000
FTE Pos.	--	--	--	--

HB 2775 would require SRS to provide a registry of support debts over \$25 in Title IV-D Child Support Enforcement (CSE) cases. The agency states that an existing data extract would meet this requirement, so no programming changes would be needed and any additional processing that may be required would be negligible and absorbed within existing resources.

SRS assumes that it would be required to provide a gaming intercept portal via the Internet. This would be a secure, online application allowing registered casino staff to immediately look up each winner of more than \$1,200 to determine whether withholding for support was required. The gaming intercept portal would record each inquiry made, the result of

the inquiry, and other data needed for audit purposes. The gaming intercept portal would allow casino staff to produce documentation that no match was found or, if there was a match, the notice of withholding and disclosure of appeal rights to be given to the winner/debtor. Because CSE does not currently have any comparable secure, interactive web sites, this effort would require an initial investment in system infrastructure and development at an estimated cost of \$150,000. SRS states that such a gaming portal would take approximately 12 months to bring online. Annual maintenance of the portal and registration of casino staff would commence in FY 2014 and cost \$35,000 per year.

SRS assumes that casinos would transmit support collections and identifying information to the state by means of an electronic funds transfer (EFT) transaction similar to that used for federal tax refund intercepts. Because the EFT format captures all information needed to apply collections to CSE cases, no new programming would be required to process collections once they were received at SRS. Because processes are already in place and are highly automated, any additional tasks would be absorbed within existing resources. All costs would be eligible for 66.0 percent federal financial participation under Title IV-D. The state share of costs would come from CSE Program revenue, so no State General Fund expenditures would be required.

The State of Colorado enacted similar legislation in 2008, and in calendar year 2009 the Colorado IV-D CSE program collected just over \$396,000 through 277 intercepts, about \$1,430 per intercept. Colorado and Kansas' IV-D caseloads are comparable in size, but there are more gaming sites operating in Colorado. That condition is expected to remain, even if additional gaming sites become active in Kansas. For this reason, it is estimated that Kansas would see about 110 gaming intercepts per year starting in July 2013, approximately 40.0 percent of the number Colorado experienced in 2009. SRS expects that the average collection per intercept would be similar, at \$1,430 each. Therefore, annual CSE support collections would increase by \$157,300 per year (110 X \$1,430.) Because of the implementation period required before the gaming intercept portal goes online, these additional collections would not begin until FY 2014. Federal law determines the distribution of CSE collections. Based on current patterns, \$117,975, or 75.0 percent, of gaming intercept collections would be distributed to Kansas families each year, \$12,584, or 8.0 percent would be retained as state revenue, and the remainder would be distributed to other states or the federal government as required by federal law.

The Kansas Lottery states that all casinos are open 24 hours a day, seven days a week, but the Lottery does not maintain a 24/7 presence. If HB 2775 required Kansas Lottery personnel to actually be the ones to conduct registry searches, then an additional three to four staff members at each casino would need to be hired. The Lottery also states that it has a great deal of experience with setoff of traditional lottery prizes, and unfortunately the person against whom setoff is performed can become quite agitated. As a result, it has been the practice of the Lottery to involve law enforcement personnel when confronting a winner whose prize is being setoff. Therefore, if it is intended that Lottery personnel are to interact with the player, the Lottery would need to consider whether the additional staff members would also need to be certified law enforcement officers. The Lottery states that it is uncertain of the actual procedure involved in collecting and remitting the winnings that are setoff and is therefore unable to

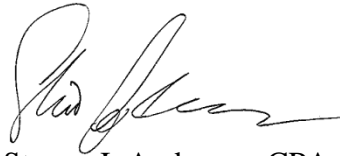
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estimate additional costs related to the enactment of HB 2775, if any. Any fiscal effect associated with HB 2775 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

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

cc: Jackie Aubert, SRS
Stephen Durrell, Lottery