

March 2, 2012

CORRECTED

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

Dear Senator Donovan:

**SUBJECT:** Corrected Fiscal Note for SB 409 by Senator Holland, et al.

In accordance with KSA 75-3715a, the following corrected fiscal note concerning SB 409 is respectfully submitted to your committee.

Under current law, the State General Fund will transfer \$27.0 million to the Local Ad Valorem Tax Reduction Fund in FY 2014, \$40.5 million in FY 2015, and \$54.0 million in FY 2016 and in each future fiscal year. SB 409 would transfer \$45.0 million to the Local Ad Valorem Tax Reduction Fund in FY 2013 and in each future fiscal year. The bill would also change the designation of the transfer made in FY 2014 from a revenue transfer to a demand transfer. Transfers from the State General Fund to the Local Ad Valorem Tax Reduction Fund are made on January 15th and on July 15th of each year. In the fiscal note originally issued, only one of the two annual State General Fund transfers to the Local Ad Valorem Tax Reduction Fund was calculated into the fiscal effect for each fiscal year.

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	(\$45,000,000)	(\$45,000,000)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

SB 409 would decrease State General Fund revenues by \$45.0 million in FY 2013. The decrease 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	--	3,065,000
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	\$ --	\$6,322,800
Other Revenues:			
Interest	\$ 7,400	\$ --	\$ 7,400
Transfers	(90,300)	(45,000)	(135,300)
Agency Earnings	<u>51,500</u>	<u>--</u>	<u>51,500</u>
Total Other Revenues	(\$ 31,400)	(\$ 45,000)	(\$ 76,400)
Total Receipts	\$6,291,400	(\$ 45,000)	\$6,246,400

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

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
State General Fund	(\$18,000,000)	(\$4,500,000)	\$9,000,000	\$9,000,000

Under current law, the State General Fund transfer to the Local Ad Valorem Tax Reduction Fund is suspended for FY 2013 and reestablishing this transfer would reduce State General Fund revenues by \$45.0 million. Because the Local Ad Valorem Tax Reduction Fund is scheduled to receive \$27.0 million from the State General Fund in FY 2014 and \$40.5 million in FY 2015, the fiscal effect of increasing the transfer to \$45.0 million will reduce State General Fund revenues by an additional \$18.0 million in FY 2014 and by an additional \$4.5 million in FY 2015. Because the Local Ad Valorem Tax Reduction Fund is scheduled to receive \$54.0 million from the State General Fund in FY 2016 and in each future fiscal year, the bill would

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increase State General Fund revenues by an additional \$9.0 million in FY 2016 and in each future fiscal year.

Changing the designation of the transfer made in FY 2014 from a revenue transfer to a demand transfer would have implications on how the 7.5 percent ending balance is calculated because State General Fund demand transfers are considered to be State General Fund expenditures for purposes of calculating the ending balance requirement. Any fiscal effect associated with SB 409 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: Steve Neske, Revenue  
Melissa Wangemann, Kansas Association of Counties