

March 1, 2012

The Honorable Susan Wagle, Chairperson
Senate Committee on Commerce
Statehouse, Room 135-E
Topeka, Kansas 66612

Dear Senator Wagle:

SUBJECT: Fiscal Note for SB 420 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 420 is respectfully submitted to your committee.

SB 420 would require the return of any financial incentives provided by the state if a company outsources jobs during the time it received incentives. The company would also be precluded from receiving additional incentives for five years. Outsourcing jobs is defined as to relocate or move employment, jobs or positions or eliminate jobs in an amount which exceeds 50 jobs, positions or employees from the state to another country. The bill provides for annual reporting requirements and would give the Attorney General the authority to enforce the requirements of the bill.

The Attorney General reports that reporting requirements would cost less than \$5,000 per year. If an enforcement action were to be brought, the cost would be between \$10,000 and \$100,000.

The Department of Revenue notes that the bill would provide a claw-back provision for all financial incentives provided by state and local governments. If enacted, it could increase short term State General Fund revenues. Because it is difficult to predict how many outsourcing events will occur in the future and which of those events might potentially be subject to the claw-back provision, the fiscal effect is unknown. The bill would also cause the Department to update instructions on income tax credits, applicable exemption instructions, web publications and add new assessment codes to monitor collections of previously used financial incentives. The

The Honorable Susan Wagle, Chairperson

March 1, 2012

Page 2—420

estimated cost would be \$6,000. Any fiscal effect associated with SB 420 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: Megan Henry, Attorney General's Office
Jason Glasrud, Commerce
Steve Neske, Revenue