

February 17, 2015

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

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 187 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 187 is respectfully submitted to your committee.

Under current law, the Rural Opportunity Zones Program offers individuals who relocate from outside the state to a county that has been designated as a Rural Opportunity Zone the opportunity to participate in a student loan forgiveness program and receive a 100.0 percent state income tax credit. SB 187 would extend the sunset for the student loan forgiveness program from FY 2016 to FY 2022, and the income tax credit from tax year 2016 to tax year 2022.

The Department of Revenue indicates that the tax credit component of SB 187 would not affect State General Fund revenue in FY 2016 or FY 2017. The bill would authorize new qualifying individuals to claim the income tax credit for five years beginning in tax year 2017, which would not affect State General Fund revenue until FY 2018. The Department of Revenue indicates that \$560,000 in Rural Opportunity Zone tax credits were claimed in tax year 2013. Assuming similar results in the future years, the bill would reduce State General Fund revenues by approximately \$600,000 per fiscal year.

The Department of Commerce indicates that it is currently responsible for administering the Rural Opportunity Zones Program. The Department of Commerce indicates that extending the sunset for the student loan forgiveness component of SB 187 would not have a fiscal effect until FY 2017. The Governor's budget includes continuing funding for this program in FY 2017. The student loan forgiveness program had 376 approved applications in FY 2014. Expenditures for the student loan forgiveness program are shared equally by the state and the county, with the state share of this program is approximately \$1.0 million per fiscal year that is funding from the Economic Development Initiatives Fund. Counties are required to opt in for the county to participate in the student loan forgiveness program. The Department of Commerce indicates that the growth in expenditures for the student loan forgiveness and the income tax credits are expected to stabilize in FY 2018, as the first round of applicants would have completed their five year

benefit schedule and would not receive additional payments or credits. However, the amount may be significantly higher or significantly lower depending on the level of participation by each county that has been designated as a Rural Opportunity Zone. The Department indicates that the administrative costs associated with reviewing additional applications from individuals that are proposing to move to a new Rural Opportunity Zone proposed in the bill would be negligible and could be absorbed within existing staff levels and resources. The fiscal effect associated with SB 187 is reflected in *The FY 2016 Governor's Budget Report*.

The Kansas Association of Counties indicates that the bill would increase expenditures for counties that choose to participate in the student loan forgiveness program. However, the expenditure would vary by county and level of participation in this program.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Melissa Wangemann, KAC
Dan Lara, Commerce
Jack Smith, KDOR