

May 18, 2015

The Honorable Ty Masterson, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S
Topeka, Kansas 66612

Dear Senator Masterson:

SUBJECT: Fiscal Note for SB 305 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 305 is respectfully submitted to your committee.

SB 305 would abolish the Kansas Bioscience Authority (KBA) and transfer all powers, duties and functions of the KBA to the Department of Commerce on July 1, 2015. All KBA funds and accounts would be transferred to the Department of Commerce and become part of the State Treasury. Likewise, all KBA fund balances, moneys within funds, liabilities and assets would be transferred to the Department of Commerce. The Department of Commerce would be the successor in every way to the KBA.

Any conflicts that arise regarding the disposition of any property, power, duty or function or the unexpended balance of any appropriation would be resolved by the Governor. The Governor's decisions on these matters would be final.

According to the Department of Commerce, no additional resources would be needed to accommodate the merger of the KBA into the Department. While the merger would have a fiscal effect on the Department of Commerce budget, the precise dollar effect is difficult to estimate until a current audit of KBA finances and holdings is available. According to the most recent financial statements, the KBA reported total assets of \$93.2 million and total liabilities of \$12.9 million at the close of FY 2014.

One of the primary sources of funding is the Biosciences Development and Investment Fund, which is not part of the State Treasury. Under current law, the fund is financed from State General Fund transfers from the growth in state withholding taxes that are payable from employees of bioscience companies and research institutions. The amounts of withholdings are certified by the Department of Revenue and paid to the KBA by the State Treasurer. A portion of the funding is also remitted to the Center of Innovation for Biomaterials in Orthopedic

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May 18, 2015

Page 2—SB 305

Research—Wichita State University Fund (\$1.0 million) and to the National Bio Agro-Defense Facility Fund—Kansas State University (\$5.0 million).

Currently, the total State General Fund transfer is limited to \$32.0 million in FY 2015 (\$26.0 million for KBA; \$6.0 million for universities) and \$35.0 million in FY 2016 (\$29.0 million for KBA; \$6.0 million universities). No limitation is in place for FY 2017 and it is estimated that approximately \$75.0 million would be transferred in that fiscal year. The Governor recommended in his budget that total transfers be capped at \$13.0 million each for FY 2015, FY 2016 and FY 2017. These caps are also included in the most recent versions of the appropriations bills being considered by the Legislature. Of the total amount, \$7.0 million would go to the KBA and \$6.0 million to university projects each fiscal year. SB 305 would repeal the financing mechanism that exists under KSA 74-99b34. Any changes to funding bioscience projects in Kansas through the Department of Commerce could be reflected in future appropriations bills.

Department of Administration indicates that any fiscal effect resulting from setting up the appropriate accounts and transferring funds within the state accounting system could be handled with existing agency resources. Any fiscal effect associated with SB 305 is not reflected in *The FY 2016 Governor's Budget Report*.

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: Dan Lara, Commerce
Derek Kreifels, Treasurer's Office
Jack Smith, Department of Revenue
Colleen Becker, Department of Administration