

SESSION OF 2018

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2419

As Amended by House Committee of the Whole

Brief*

HB 2419, as amended, would require the Director of the Budget, in consultation with the Director of Legislative Research, to certify the amount of actual estimated tax revenue receipts at the end of the fiscal year that are in excess of the average estimated tax revenue receipts for the preceding three fiscal years. Estimated tax revenue receipts are moneys received from individuals for individual income tax who anticipated owing more than \$500 after withholding and credits.

Of the amount certified by the Director of the Budget, 50.0 percent would be transferred to the Budget Stabilization Fund and 50.0 percent would be transferred to the Kansas Public Employees Retirement Fund to reduce the unfunded actuarial pension liability, as long as the following three conditions are met:

- The amount certified is in excess of the average amount for the previous three fiscal years;
- The transfer will not result in State General Fund receipts that are lower than the immediately preceding fiscal year; and
- The balance in the Budget Stabilization Fund is not greater than 8.0 percent of the preceding fiscal year's State General Fund tax receipts.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

All moneys credited to the Budget Stabilization Fund would only be expended pursuant to either a legislative appropriation or the State Finance Council acting pursuant to a matter of specifically delegated authority and for the following purposes:

- If there is a reduction in actual State General Fund receipts relative to the previous fiscal year;
- If there is a reduction in actual tax receipts to the State General Fund relative to the Consensus Revenue Estimate; or
- To provide relief and assistance in the event of a declared emergency or disaster.

Background

In the House Committee on Appropriations hearing, a Senior Researcher on State and Budget Policy Issues with The Pew Charitable Trusts testified as a proponent of the bill. The senior researcher testified that estimated payments are a particularly volatile source of revenue to the State General Fund and using estimated receipts as the source for a stabilization fund would reduce volatility in the State General Fund, build reserves for future downturns, promote structural balance, and mitigate revenue forecasting errors.

No opponent or neutral testimony was provided.

The House Committee of the Whole amended the bill to reduce transfers to the Budget Stabilization Fund by 50.0 percent and direct the remaining 50.0 percent of the certified amount to the Kansas Public Employees Retirement Fund to reduce the unfunded actuarial liability. For purposes of this bill, the unfunded actuarial liability would be defined as the portion of such liability determined as of the later of December 31, 2016, or the end of the most recent calendar year for which an actuarial valuation report is available.

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the bill would affect expenditures from and the balances of the State General Fund and the Budget Stabilization Fund beginning in FY 2019; however, it is not possible to estimate future excess revenues. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2019 Governor's Budget Report*.