SESSION OF 2018

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2419

As Amended by Senate 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 individual income tax revenue receipts at the end of the fiscal year that exceed the average individual income tax revenue receipts for the preceding three fiscal years. Individual income tax receipts, for purposes of this bill, would be moneys received from individuals for individual income tax pursuant to KSA 79-3225, excluding moneys received from refunds or withholding taxes.

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 Pooled Money Investment Portfolio (PMIP) for satisfaction of moneys owed on the PMIP operating loan to the State General Fund (SGF), as long as the following three conditions are met:

- The amount certified exceeds the average amount for the previous three fiscal years;
- The transfer will not result in SGF receipts that are lower than such receipts in 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 SGF tax receipts.

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*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

After payments to the PMIP for satisfaction of the operating loan, 100.0 percent of the amount certified by the Director of the Budget would be transferred to the Budget Stabilization Fund, subject to the same restrictions as listed above.

All moneys credited to the Budget Stabilization Fund would be expended only 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 SGF receipts relative to the previous fiscal year;
- If there is a reduction in actual tax receipts to the SGF relative to the Consensus Revenue Estimate; or
- To provide relief and assistance in the event of a declared emergency or disaster.

The bill would remove a requirement for a transfer of 10.0 percent of the FY 2019 SGF ending balance to the Budget Stabilization Fund on or before August 15, 2019.

Background

In the House Committee on Appropriations hearing during the 2017 Legislative Session, 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 SGF and using estimated receipts as the source for a stabilization fund would reduce volatility in the SGF, build reserves for future downturns, promote structural balance, and mitigate revenue forecasting errors.

No opponent or neutral testimony was provided.

During the 2018 Legislative Session, 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.

In the Senate Committee on Ways and Means hearing during the 2018 Legislative Session, 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 SGF and using estimated receipts as the source for a stabilization fund would reduce volatility in the SGF, build reserves for future downturns, promote structural balance, and mitigate revenue forecasting errors.

During the 2018 Legislative Session, the Senate Committee amended the bill to direct that 50.0 percent of the certified amount would be transferred to the PMIP for payments on the PMIP operating loan rather than transferred to KPERS and applied to the unfunded liability. The payments to the PMIP would be applied to the current year moneys owed to the PMIP, and transfers to the PMIP would stop after no further moneys were owed to the PMIP on the operating loan, at which point 100.0 percent of the revenues would be transferred to the Budget Stabilization Fund.

The Senate Committee also amended the bill to change the amount certified to be transferred to the Budget Stabilization Fund from the difference between actual tax receipts and the average of the past three years total tax receipts to the difference between actual individual income tax and the average of the past three years' individual income tax receipts, excluding withholding and refunds. The amendment would reduce possible transfers from a portion of total tax revenue to a portion of estimated individual income tax payments and other year-end individual income tax payments that are not withholding.

The Senate Committee of the Whole amended the bill to clarify that no transfer to the Budget Stabilization Fund would occur if the transfer would result in SGF revenue lower than in the previous fiscal year. The Committee further amended the bill to remove language from KSA 2017 Supp. 75-6706 that would require a transfer of 10.0 percent of the FY 2019 SGF ending balance to the Budget Stabilization Fund on or before August 15, 2019.

According to the fiscal note prepared by the Division of the Budget during the 2018 Legislative Session on the bill, as introduced, the bill would affect expenditures from and the balances of the SGF 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 2018 Governor's Budget Report*.