

February 6, 2012

The Honorable Marc Rhoades, Chairperson
House Committee on Appropriations
Statehouse, Room 351-S
Topeka, Kansas 66612

Dear Representative Rhoades:

SUBJECT: Fiscal Note for HB 2572 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2572 is respectfully submitted to your committee.

HB 2572 would establish the Disaster Reimbursement Fund to finance the expenses of the Adjutant General for the state's share of disasters that have been declared. The bill would require that \$833,334 be transferred from the Kansas Universal Service Fund to the Disaster Reimbursement Fund on July 10, 2012, and on the tenth day of each following month. The bill requires that on July 1, 2012, and each July 1 thereafter, the Disaster Reimbursement Fund would receive a transfer of \$12.0 million from the State General Fund from the taxes collected on insurance premiums. The transfers from the State General Fund and the Kansas Universal Service Fund would be suspended if the balance in the Disaster Reimbursement Fund reaches \$40.0 million. The interest earnings based on the average daily balance in the Disaster Reimbursement Fund would be transferred to the Kansas Emergency Management and Homeland Security Fund of the Adjutant General.

The Adjutant General indicates that HB 2572 would provide up to \$22,000,008 in annual funding for disaster relief, including \$12.0 million from the State General Fund insurance premium collections and \$10,000,008 from the Kansas Universal Service Fund. The Adjutant General provides assistance to state and local governments when disasters and other emergency situations arise, including floods, tornadoes, ice storms, and other severe storms. Financing for a federally declared disaster typically is split 75.0 percent federal, 15.0 percent local, and 10.0 percent state. Under current law, funding for the state's share of disaster relief can be authorized by the State Finance Council up to a total of \$10.0 million or by an act of the Legislature.

The agency indicates that the bill would provide dedicated funding for disasters to provide it with access to immediate funding for the state's share of disaster relief without the need for action by the Legislature or State Finance Council. State matching shares have been as high as \$26.0 million in a fiscal year, but vary substantially from year to year depending on the number and size of disasters. It should be noted, that the Governor's budget provides a total of

\$18,149,089 for state disaster matches in FY 2012 and \$6,029,197 in FY 2013. It is not anticipated at this time that significant expenditures for additional state disaster matches will be needed in either FY 2012 or FY 2013, which would allow the balance in the Disaster Reimbursement Fund to increase. The Adjutant General is unable to estimate the amount of interest earnings that will be earned on the Disaster Reimbursement Fund and transferred to the Kansas Emergency Management and Homeland Security Fund.

The Department of Insurance estimates that HB 2572 would decrease State General Fund revenues by \$12.0 million in FY 2013 and each year thereafter. The transfer has the potential to be suspended in future fiscal years if the balance in the Disaster Reimbursement Fund reaches \$40.0 million; however, it is unknown when or if the balance in the Disaster Reimbursement Fund would reach this threshold. The fiscal effect associated with creating the Disaster Reimbursement Fund and transferring \$12.0 million from the State General Fund from the taxes collected on insurance premiums to this new fund are reflected in *The FY 2013 Governor's Budget Report*. The decrease in revenues and how the November 4, 2011 consensus revenue estimate for FY 2013 would be affected are shown in the following table:

Effect on FY 2013 Consensus Revenue Estimates
(Dollars in Thousands)

Receipt Description	Consensus Revenue Estimates (Nov. 4, 2011)	Change in Revenue FY 2013	Proposed Adjusted CRE FY 2013
Motor Carrier	\$ 21,000	\$ --	\$ 21,000
Income Taxes:			
Individual	3,065,000	--	3,065,000
Corporate	240,000	--	240,000
Financial Institutions	24,000	--	24,000
Excise Taxes:			
Retail Sales	2,200,000	--	2,200,000
Compensating Use	335,000	--	335,000
Cigarette	92,000	--	92,000
Corporate Franchise	6,000	--	6,000
Severance	102,800	--	102,800
All Other Excise Taxes	96,000	--	96,000
Other Taxes	<u>141,000</u>	<u>(12,000)</u>	<u>129,000</u>
Total Taxes	\$6,322,800	(\$ 12,000)	\$6,310,800
Other Revenues:			
Interest	\$ 7,400	\$ --	\$ 7,400
Transfers	(90,300)	--	(90,300)
Agency Earnings	<u>51,500</u>	<u>--</u>	<u>51,500</u>
Total Other Revenues	(\$ 31,400)	\$ --	(\$ 31,400)
Total Receipts	\$6,291,400	(\$ 12,000)	\$6,279,400

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The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
State General Fund	(\$12,000,000)	(\$12,000,000)	(\$12,000,000)	(\$12,000,000)

The Kansas Corporation Commission indicates that the bill would require that \$833,334 be transferred each month from the Kansas Universal Service Fund to the Disaster Reimbursement Fund, which would add up to a total of \$10,000,008 that would be transferred in FY 2013. The monthly transfers have the potential to be suspended if the balance in the Disaster Reimbursement Fund reaches \$40.0 million; however, it is unknown when or if the balance in the Disaster Reimbursement Fund would reach this threshold. The agency indicates that the bill has the potential to increase Kansas Universal Service Fund charges for landline and wireless telecommunications devices that customers would incur on their monthly phone bills. The agency indicates that the monthly Kansas Universal Service Fund assessment would increase between \$0.23 and \$0.32 per line depending on the company and its current assessment rate. Any fiscal effect associated with the changes to the distribution of the Kansas Universal Services Fund in HB 2572 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Cheri Froetschner, Adjutant General's Office
Zac Anshutz, Insurance
Tom Day, KCC