

March 25, 2021

REVISED

The Honorable Fred Patton, Chairperson
House Committee on Judiciary
Statehouse, Room 519C-N
Topeka, Kansas 66612

Dear Representative Patton:

SUBJECT: Revised Fiscal Note for HB 2451 by House Committee on Taxation

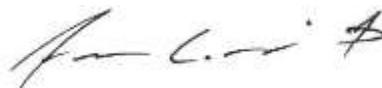
In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2451 is respectfully submitted to your committee.

HB 2451 would replace the annual escrow payment paid by the non-participating tobacco manufacturers (NPMs) who are not part of the 1998 Master Settlement Agreement (MSA) with an equity fee that would instead go to the state and be deposited to the Kansas Endowment for Youth (KEY) Fund.

The Office of the Attorney General states that over the past two years, the amount paid into escrow by the NPMs has ranged from \$7.5 million to \$9.1 million. While the general trend in the escrow payments made by the NPMs has gone up, the Office states that it is difficult to predict what the fiscal effect that passage of this legislation would have. There may be some NPMs who choose to cease doing business in Kansas as a result of this bill. However, passage of this legislation has the potential to increase revenue to the KEY Fund by \$7.5 million to \$9.1 million each year beginning in FY 2023.

The Department of Revenue states that if the equity fee is remitted to the Department administrative expenditures could increase by \$6,000 in FY 2023 for required changes to the agency accounting voucher system. Any fiscal effect associated with HB 2451 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Willie Prescott, Office of the Attorney General