

February 9, 2012

The Honorable Anthony Brown, Chairperson
House Committee on Commerce and Economic Development
Statehouse, Room 151-S
Topeka, Kansas 66612

Dear Representative Brown:

SUBJECT: Fiscal Note for HB 2463 by House Committee on Commerce and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2463 is respectfully submitted to your committee.

HB 2463 would require that any contractor entering into a state contract would have to employ a sufficient number of Kansas workers. The bill would require that at least 70.0 percent of the workers assigned to the contract be from Kansas. All state agencies would provide a copy of any state contract to the Division of Purchasing, of the Department of Administration for verification that the contractor is in compliance with the employment requirements of HB 2463. An employee who performs work under a state contract and who is not from Kansas may be exempt from the requirements of the bill if the employee provides expertise in a field necessary to fulfill the contractor's contractual obligations. The contractor would submit an application to the Division of Purchasing detailing why the employee is an expert in a specified field. The Division of Purchasing would determine whether the employee would be exempt from the provisions in HB 2463. This bill would affect contracts from state agencies with expenditures of \$100,000 or more, excluding lease agreements, lease-purchase agreements, and agreements entered solely for the acquisition of goods or commodities by the state agency effective on and after January 1, 2013.

At least 70.0 percent of a contractor's workforce assigned to a STAR bond project would have to be from Kansas beginning on and after January 1, 2013. All contractors subject to the provisions in HB 2463 would provide personnel information to the Department of Commerce to ensure that the contractor is in compliance with the provisions in the bill. The Department would notify the city or county proposing the STAR bond project of any contractor that is not in compliance with the provisions in the bill. The city or county would then either provide the

contractor an opportunity to correct the noncompliance within a reasonable time or terminate the contract.

Beginning on and after January 1, 2013, 70.0 percent of a qualified firm’s workforce would have to be from Kansas when applying for HPIP Training and Education Credit. The same requirement would also apply to qualified companies who apply for Promoting Employment Across Kansas benefits and qualified business facilities applying for the Business and Job Development Credit beginning on and after January 1, 2013. The bill would also require that taxpayers claiming the HPIP Training and Education Credit and the Business and Job Development Credit would be required to provide personnel information as required by the Secretary of Revenue for the purpose of verifying the number of Kansas workers.

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	--	--
Expenditure	\$150,000	\$150,000	\$153,000	\$261,888
FTE Pos.	--	2.00	--	3.00

The Department of Revenue states the bill would promote the hiring of Kansas workers and increase employment in the State of Kansas, which would result in more income tax and sales tax revenues to the State General Fund. The Department also indicates the employment requirement could increase project costs in government contracts and reduce business efficiencies for the companies applying for certain tax benefits. The Department of Revenue cannot provide a precise fiscal effect for HB 2463 at this time.

The Department of Commerce states that passage of HB 2463 would require the Department to promulgate new regulations for the reporting, auditing, and compliance with the new statutory provisions in the bill. The legislation would increase the cost to administer the programs by requiring the Department to provide a process to monitor and audit for compliance. The agency estimates that it would need \$150,000 from the State General Fund in FY 2012, \$153,000 in FY 2013, and \$156,000 in FY 2014 for 2.00 additional FTE positions that would be responsible for monitoring and audit compliance, along with other operating expenditures. Additionally, existing staff would need to prepare and promulgate regulations as to the reporting and compliance requirement in HB 2463. The Department does not explain why the additional staff would be needed in FY 2012, prior to the bill’s effective date.

The Department of Administration states it would need \$108,888 in FY 2013 and \$56,718 in FY 2014 and an additional Procurement Officer II FTE position to implement the provisions in HB 2463. The additional expenditures would come from agency fee funds for the salary and wages for the additional FTE position and other operating expenditures. The League of Kansas Municipalities states it cannot determine at this time what, if any, fiscal effect HB

The Honorable Anthony Brown, Chairperson

February 9, 2012

Page 3—2463

2463 would have upon Kansas municipalities. Any fiscal effect associated with HB 2463 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

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

cc: Steve Neske, Revenue
Jason Glasrud, Commerce
Marilyn Jacobson, DofA
Larry Baer, LKM
Melissa Wangemann, KAC
Kathie Sparks, Labor