

February 25, 2013

The Honorable Marvin Kleeb, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 286-N
Topeka, Kansas 66612

Dear Representative Kleeb:

SUBJECT: Fiscal Note for HB 2273 by Representative Tietze, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2273 is respectfully submitted to your committee.

HB 2273 would require that any contractor entering into a state contract 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 2273. 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 of the bill. 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, 2014.

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, 2014. All contractors subject to the provisions in HB 2273 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, 2014, 70.0 percent of a qualified firm's workforce would have to be from Kansas when applying for the HPIP Training and Education Credit. The

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February 25, 2013

Page 2—HB 2273

same requirement would also apply to qualified companies who apply for Promoting Employment Across Kansas (PEAK) benefits and qualified business facilities applying for the Business and Job Development Credit beginning on and after January 1, 2014. The bill would also require that taxpayers claiming these tax credits to provide personnel information as required by the Secretary of Revenue for the purpose of verifying the number of Kansas workers.

The Department of Revenue indicates 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 2273 at this time.

The Department of Commerce indicates it would require \$75,000 from the State General Fund to implement this new program in FY 2014 and to allow the agency to comply with the reporting, auditing, and compliance requirements of the bill. The agency indicates that it would hire 1.00 new FTE position to manage this program at a cost of \$68,500 for salary and wages. The agency would also require \$6,500 for workstation setup, travel costs, and training expenses. Additionally, existing staff would need to prepare and promulgate regulations for the reporting and compliance requirement in the bill.

The Department of Administration indicates that it would need \$53,000 in FY 2014 to implement the provisions of HB 2273. The agency would hire 2.00 new FTE positions to review contracts and to certify that state contractors comply with the provisions of the bill at a cost of \$47,226. The agency would also have \$5,774 in workstation setup and estimated expenses for additional administrative hearings. The additional expenditures would come from agency fee funds.

The League of Kansas Municipalities states it cannot determine at this time what, if any, fiscal effect HB 2273 would have on local governments. Any fiscal effect associated with HB 2273 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,



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

cc: Steve Neske, Revenue
Dan Lara, Commerce
Pam Fink, DofA