March 2, 2016

The Honorable Ty Masterson, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S
Topeka, Kansas  66612

Dear Senator Masterson:

SUBJECT:  Fiscal Note for SB 403 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 403 is respectfully submitted to your committee.

SB 403 would require cities and counties to annually calculate the percentage of their revenue from traffic infractions. If the percentage exceeds 10.0 percent of their annual operating revenue then the amount that is in excess of 10.0 percent would be remitted to the Director of Taxation of the Department of Revenue and deposited into the State General Fund. Also, beginning July 1, 2016, at the end of each quarter of the fiscal year, each municipal court must calculate 70.0 percent of all revenue from traffic infractions for violations occurring on the national network of highways. This amount must be remitted to the Director within 10 days after the end of the quarter and credited to the State Highway Fund.

Cities and counties would be required to submit reports on general operating revenue to the Director within 90 days after the end of the fiscal year. Municipal courts must also submit financial reports on the revenue from traffic infractions to the Director. If it is found that a city, county or municipal court did not submit a report or remit the required information to the Department of Revenue, the Director must notify the city, county or municipal court of the deficiency in writing. If a city fails to correct any deficiency within the time specified in the notice, the Director would be required to notify the municipal court of the affected city. The municipal court’s jurisdiction would be suspended and all pending matters would be transferred to the district court. Cases would be transferred back to the municipal court once the deficiencies are corrected.

If any city or county fails to file a report, the Department of Revenue would be required to withhold any city or county sales tax that is due. If any city or county fails to remit the
required amount of revenue in excess of 10.0 percent, the Department of Revenue would be required to withhold from any city or county the amount that is equal to the excess revenues.

The bill would also amend the powers and procedures for municipal courts relating to, among other things, detaining defendants, assessing fines and court costs, providing alternative payment plans and community service, and offering electronic and mail payments of traffic violations. A person must not be assessed costs if the person makes an appearance, waiver, plea and payment in accordance with KSA 12-4305(c).

The Kansas Department of Revenue (KDOR) indicates that SB 403 would increase revenues to the State General Fund and the State Highway Fund; however, the Department does not currently have the information available to accurately estimate the specific fiscal effect of the bill on those funds.

KDOR would incur additional expenditures of $230,240 and 1.00 new FTE position in FY 2017. Of the total amount, $129,840 would be for programming costs, $34,800 would be for program testing, and $65,600 would be for 1.00 Account I FTE position to review the reports and calculations from cities, counties and municipal courts. Expenditures for the new position would include $58,509 for salaries and wages plus workstation setup and other associated costs of $7,091.

The League of Kansas Municipalities estimates that for most, if not all, cities the amount of annual general operating revenue from traffic infractions is less than 10.0 percent. The League believes the provision requiring traffic infraction revenue in excess of 10.0 percent for the city’s annual general operating revenue to be remitted to the state would have a limited fiscal effect on cities. However, cities would likely face a large fiscal effect from the provision requiring 70.0 percent of revenue from traffic infractions on the national network of highways to be remitted to the state. The League is unable to estimate the precise fiscal effect of the bill because it does not possess the necessary data.

According to the Office of Judicial Administration, SB 403 could have a large fiscal effect on Judicial Branch expenditures; however, the precise fiscal effect is difficult to predict because there are many unknown variables including the number of municipal courts that could have their jurisdictions suspended, the size and complexity of the caseloads, and the number and make-up of staff that would be needed to process and hear the cases. The Office notes that there were over 428,000 cases filed in Kansas municipal courts in FY 2015. As an example, the Office estimates that a municipal court with an annual caseload of approximately 40,000 cases would require two full-time judges and 18 court employees. If this court’s jurisdiction was to be suspended and all of its cases transferred to district court, the estimated annual cost would be $961,467.

The Office indicates that the Judicial Branch Education Fund is funded by a fee assessed on municipal court cases. An appearance, waiver, plea, and payment that results in a waiver of
any costs would reduce the fee revenue for the fund. The Office is unable to estimate the fiscal
effect on Judicial Branch revenues because the number of cases would be affected by the bill is
unknown. Any fiscal effect associated with SB 403 is not reflected in *The FY 2017 Governor's
Budget Report*.

Sincerely,

\[Signature\]

Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue
Melissa Wangemann, Association of Counties
Larry Baer, League of Municipalities
Ashley Michaelis, Judiciary
Ben Cleeves, Transportation
Dale Dennis, Education