

March 7, 2016

The Honorable Ralph Ostmeyer, Chairperson
Senate Committee on Federal and State Affairs
Statehouse, Room 136-E
Topeka, Kansas 66612

Dear Senator Ostmeyer:

SUBJECT: Fiscal Note for SB 485 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 485 is respectfully submitted to your committee.

SB 485 would approve a tribal-state compact between the Iowa Tribe of Kansas and Nebraska and the State of Kansas related to cigarette and tobacco sales, taxation, and escrow collection. The bill would provide legislative approval of the compact that was submitted by the Governor and printed in the Journal of the Senate and the Journal of the House of Representatives on March 2, 2016.

The Department of Revenue indicates SB 485 would have no fiscal effect. The Attorney General indicates that the bill would allow the state to resolve a dispute with tobacco companies and would allow the state to continue to be eligible for payments under the Master Settlement Agreement (MSA) from the 1998 tobacco settlement. Under the MSA, most tobacco companies have agreed to make annual cash payments to the State of Kansas. At the same time, Kansas agreed to diligently enforce its obligations under the MSA, including accounting for cigarette sales within the state. In 2012, Kansas resolved a longstanding dispute with tobacco companies, which had accused the state, among other things, of failing to live up to its diligent enforcement obligations under the MSA by not accounting for tobacco sales on qualified tribal lands. The Attorney General indicates that the compact is designed to improve accounting for cigarettes and other tobacco products sold on tribal lands. The compact would significantly improve cooperation between the tribes and the state to prevent the illicit shipment of untaxed and unaccounted-for cigarettes from other states for sale on qualified tribal lands in Kansas. If the compact is not approved, approximately \$60.0 million in annual tobacco payments to Kansas could be at risk.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue
Willie Prescott, Attorney General's Office