

March 9, 2021

The Honorable Joe Seiwert, Chairperson
House Committee on Energy, Utilities and Telecommunications
Statehouse, Room 481B-W
Topeka, Kansas 66612

Dear Representative Seiwert:

SUBJECT: Fiscal Note for HB 2290 by Representative Coleman

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2290 is respectfully submitted to your committee.

HB 2290 would require the Kansas Department of Health and Environment (KDHE) to assess a carbon content charge to each distributor in Kansas. The bill would define “distributor” to mean any person or entity that imports fuel for use, distribution or sale within the state or produces, refines, manufactures or compounds fuel within the state for use, distribution or sale. KDHE would be required to assess the carbon content charge to each distributor according to the following schedule:

1. A charge of \$100 per metric ton in calendar year 2025;
2. A charge of \$150 per metric ton in calendar year 2026;
3. A charge of \$200 per metric ton in calendar year 2027;
4. A charge of \$250 per metric ton in calendar year 2028;
5. A charge of \$300 per metric ton in calendar year 2029;
6. For calendar year 2030 and every calendar year after, a charge of \$6 per metric ton more than the charge in the previous calendar year.

KDHE would be required to determine each distributor’s total carbon content emissions for calendar year 2020. Any distributor that reduces its carbon emissions by 3.0 percent by

calendar year 2025 would pay a carbon content charge of 10.0 percent of carbon content charge in effect. Distributors would be required to reduce carbon emissions by 2.0 percent each subsequent calendar year. Any distributor that meets this requirement would eligible to have its carbon content charge reduced to 10.0 percent of the charge in effect.

The bill would require KDHE to publish on or before December 1, 2024 a list of distributors that have achieved the carbon emission reductions necessary to have their charges reduced. KDHE would be required to provide on or before January 31, 2025 a report on the program to the Governor and the Legislature and a list of distributors that have achieved the carbon emission reductions necessary to have reduced charges.

Distributors would be required to collect all charges at the point of sale of the fuel. On the 15th day of each month, distributors would be required to submit information to KDHE, including the assessment due for the fuel sold in the preceding month. All monies collected from distributors would be deposited into the Carbon Dividend Program Fund, which would be a new fund created by the bill. Kansas taxpayers would be eligible to receive a monthly carbon dividend payment that would be calculated and distributed by the Department of Revenue. The bill would define “Kansas taxpayer” to mean any resident of Kansas who filed Kansas individual income taxes in the preceding tax year as single, head of household, married filing separate or married filing jointly.

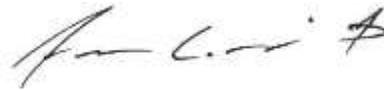
| Estimated State Fiscal Effect | | | | |
|-------------------------------|----------------|----------------------|----------------|----------------------|
| | FY 2021 SGF | FY 2021 All Funds | FY 2022 SGF | FY 2022 All Funds |
| Revenue | -- | -- | -- | -- |
| Expenditure | -- | -- | \$938,539 | \$938,539 |
| FTE Pos. | -- | -- | -- | 5.50 |

The Department of Revenue estimates the bill would require additional expenditures totaling \$576,871 from the State General Fund in FY 2022. This amount includes \$121,051 for the salary and wages and associated operating expenses of 2.00 FTE Customer Representative Senior positions and \$455,820 for information technology testing, development and programming costs. The expenditures in FY 2022 would give the Department of Revenue sufficient time to implement the program prior to the first collection period in calendar year 2025.

The Department of Revenue estimates the long-term costs for payment of monthly carbon dividends would be \$14,328,000 annually (199,000 paper checks X \$6.00 per check X 12 months). While the bill does not state how the payments would be distributed, the Department’s estimate assumes some payments would be distributed through paper checks. The Department indicates that it has issued 199,000 paper checks for tax refunds in previous years. This figure is used in the Department’s estimate.

KDHE estimates the bill would require additional expenditures of \$361,668 from the State General Fund for the salaries and wages of 3.50 FTE positions in FY 2022. The positions would include 1.00 FTE Professional Engineer position, 1.00 FTE Environmental Specialist position, 1.00 FTE Environmental Associate position and 0.50 FTE Environmental Program Administrator Supervisor position. The expenditures and positions would be needed in FY 2022 to give KDHE sufficient lead time to implement the program prior to calendar year 2025. Any fiscal effect associated with HB 2290 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Dan Thimmesch, Health & Environment
Lynn Robinson, Department of Revenue