

February 11, 2013

The Honorable Lance Kinzer, Chairperson
House Committee on Judiciary
Statehouse, Room 165-W
Topeka, Kansas 66612

Dear Representative Kinzer:

SUBJECT: Fiscal Note for HB 2188 by House Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2188 is respectfully submitted to your committee.

Currently, non-profit organizations receiving public funds of \$350 or more per year are required to file a written financial report, or an itemized report, showing the receipt of public funds and expenditures. The report must be filed with a federal agency, state agency, or taxing subdivision. Organizations exempted from this requirement include health care providers, individuals, for-profit corporations, and partnerships.

HB 2188 would require both non-profit organizations receiving public funds, and the issuing agency, to publish detailed expenditure transactions on their website. The expenditure detail would be required to be available in a searchable format and would include the following information: check number, expenditure date and amount, the payee, and a description of the expenditure. The organizations exempted under current law would continue to be exempt.

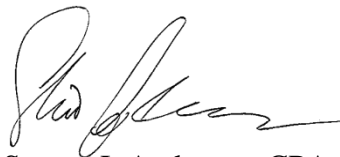
Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	--	--
Expenditure	--	--	--	\$20,000
FTE Pos.	--	--	--	--

SMART, the central accounting system for the State of Kansas, currently records the expenditures of the state. The vendor file used to make payments for these expenditures contains individual records for over 300,000 vendors, which would include not-for-profit entities. However, the entities in the file that would be considered not-for-profit entities in the bill are currently not flagged in any manner that would allow them to be segregated from other vendors

in the file for use in identifying specific expenditures made to them. To segregate expenditures of not-for-profit entities for reporting purposes, a formal definition of not-for-profit entity would need to be created that could be used in analyzing the file to determine the status of each of the vendors. Assuming that this definition coincides with the criteria used for them to register with the Secretary of State (SOS), the SOS registration file might be used to match against the SMART vendor file and populate a field that could be used to segregate these vendors and, in turn, run against expenditures to produce a list of expenditures by non-for-profit entity. The estimate of programming costs for this activity, assuming the availability of a suitable file from the Secretary of State's office, is \$12,000 (240 hrs x \$50/hr). Programming to automate this match to run on an ongoing basis is estimated at \$2,000 (40hrs x \$50/hr). A web-based application already exists that is designed to display information about statewide expenditures. The KanView website, produced as a result of Taxpayer Transparency Act legislation, receives annual extracts from SMART and allows searching and downloading of results as required in the bill. Rather than having each agency develop processes and applications that duplicate this functionality, this fiscal note assumes that extracts sent to KanView would be modified to include the new indicator, and search functionality developed to allow a user to determine this information by visiting the website. The estimate of programming costs for this activity, as well as changing the extract to occur monthly instead of annually, is \$6,000 (120 hrs X \$50/hr). Finally, state agencies would need to add a link to each individual website that points to KanView and prepopulate the search criteria for the agency and not-for-profit flag so that the results would approximate the report. This fiscal note makes the assumption that the fiscal effect of this work would be negligible and would be accomplished within existing resources once the programming had been completed, tested centrally, and information had been provided to agencies on this approach.

The bill would require detailed information associated with each expenditure. It is not clear whether these expenditures would include both pass-thru funds and expenditures for services. However, in both cases, while the central accounting system requires documentation of detailed information for payments, this specific description is not always directly available in the system. An account code is used to classify each expenditure into categories and can be used to identify the nature of the items included in the purchase. Major system modifications would be required to provide this level of detail along with work at the agency level on an ongoing basis to populate it. No programming estimate is available for this work. As noted above, this approach also assumes that the vendor file can make use of a Secretary of State extract to flag not-for-profit vendors on an ongoing basis. Any fiscal effect associated with HB 2188 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,



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