

February 21, 2024

The Honorable Molly Baumgardner, Chairperson
Senate Committee on Education
300 SW 10th Avenue, Room 144-S
Topeka, Kansas 66612

Dear Senator Baumgardner:

SUBJECT: Fiscal Note for SB 485 by Senate Committee on Education

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

SB 485 would amend the Tax Credit for Low Income Student Scholarship Program (TCLISSP). The bill would change the definition of a “eligible student” to include students enrolled in kindergarten through grade eight in a public school that had less than 50.0 percent of the students achieve at Level 3 or Level 4 on the state assessments in English language arts and mathematics in the immediately preceding school year. These students would have to be enrolled in a public school in the immediately preceding school year in which an educational scholarship is first sought for the child. In addition, the bill would allow participation in the Program by students who are enrolled in kindergarten through grade eight in a private elementary or private secondary school.

According to the Department of Education in its filing of the TCLISSP January 2024 report to the Legislature, during Tax Year 2022, a total of \$7.3 million in contributions were made to scholarship granting organizations (SGOs), which generated \$5.1 million in tax credits. For Tax Year 2023, an estimated \$7.8 million in contributions are expected to generate \$5.8 million in tax credits. As of the 2022-2023 school year, 1,162 students are utilizing the program in 125 qualified private schools. The credit is equal to 70.0 percent of the contribution made to a scholarship granting organization during the taxable year for tax years beginning January 1, 2015, through December 31, 2022. For tax years beginning after December 31, 2022, the credit is equal to 75.0 percent. The credit can be claimed and deducted from the taxpayer’s tax liability during the tax year in which the contribution was made. If the amount of credit exceeds the contributor’s tax liability in any one taxable year, the remaining portion of the credit may be carried forward until the total amount of the credit is used. Total contributions cannot exceed \$500,000 per contributor for any one tax year.

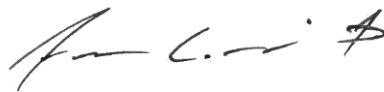
Under current law, contributors that are eligible to make contributions to a designated SGO include: (1) for taxable years commencing after December 31, 2016, individuals filing an income tax return pursuant to the Kansas Income Tax Act (2) C Corporations filing a corporate income tax return pursuant to the Kansas Income Tax Act; (3) taxpayers filing a privilege tax return; and (4) companies filing an insurance premium tax statement.

Although SB 485 would not change the existing statutory yearly aggregate cap of \$10.0 million in tax credits, the Department of Revenue estimates that 320,375 students may qualify for the scholarship program if SB 485 would be enacted. The Department of Revenue was silent on the potential number of additional contributions to SGOs, which would generate additional tax credits if SB 485 would become law; however, based upon current participation rates and the estimated number of students who would be eligible, the Division of the Budget states it would be likely that the cap on the total tax credits of \$10.0 million would occur sooner than without the enactment of the bill.

To compute the additional calculations to qualify the additional students to participate in the TCLISSP contained in the bill, the Department of Education estimates it would require additional State General Fund expenditures totaling \$74,716 in FY 2025 for 1.00 FTE Public Service Executive position. Of this amount, \$72,216 would be for salaries and wages (including fringe benefits), and \$2,500 for other operating expenditures, including information technology, phone and internet service, copier usage, and office rent. Any fiscal effect associated with SB 485 is not reflected in *The FY 2025 Governor's Budget Report*.

The Kansas Association of School Boards indicates that the enactment of the bill likely would cause additional students to leave Kansas public schools, as additional students would qualify to participate in the TCLISSP. However, the organization cannot estimate a fiscal effect.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Gabrielle Hull, Department of Education
Lynn Robinson, Department of Revenue
Angie Stallbaumer, Kansas Association of School Boards