March 22, 2019

REVISED

The Honorable Jim Kelly, Chairperson
House Committee on Financial Institutions and Pensions
Statehouse, Room 581-W
Topeka, Kansas  66612

Dear Representative Kelly:

SUBJECT: Revised Fiscal Note for HB 2096 by Representative Highberger

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2096 is respectfully submitted to your committee.

HB 2096 would establish the Kansas Children’s Savings Account Program that would be administered by the Office of the State Treasurer. The Kansas Children’s Savings Account Program Trust Fund and the Kansas Children’s Savings Account Program Expense Fund would also be established by the bill. Parents of children born in the state would have an opportunity to open an account in the program when applying for a birth certificate. Accounts would be established under section 529 of the federal internal revenue code and accounts could be accessed to pay for qualified higher education expenses. Monies deposited into accounts would be managed by a program manager selected by the Office of the State Treasurer. Anyone could contribute to accounts and contribution limitations would be set by the State Treasurer. Children eligible for any type of assistance as provided in KSA 39-709, and amendments thereto, would receive an initial deposit of $250 into their accounts. The initial deposit of $250 would come from unencumbered Temporary Assistance for Needy Families (TANF) monies. Account holders who make at least one contribution after the initial deposit amount would be eligible to receive an additional $250 contribution from the Kansas Children’s Savings Account Program Trust Fund each year.

The Kansas Children’s Savings Account Program Trust Fund would be funded by governmental and private sources through grants, gifts, or donations and State General Fund appropriations, if any. The Kansas Children’s Savings Account Program Expense Fund would be funded from fees assessed on accounts by a program manager and some of those assessed fees would be remitted to the Office of the State Treasurer for program expenditures.
The bill would allow eligible taxpayers to claim a new non-refundable income tax credit for 70.0 percent of all donations to the Kansas Children’s Savings Account Program Trust Fund. Tax credits would not be allowed to exceed $5.0 million in any given tax year. Any unused tax credits would be allowed to be carried forward into future tax years. The tax credit would be available to taxpayers that pay the individual income tax, corporation income tax, financial institutions privilege tax, and the insurance premiums tax. The Department of Revenue would have the authority to adopt rules and regulations to implement the new tax credit.

Enactment of HB 2096 would have a fiscal effect on several state agencies including the Office of the State Treasurer, Department for Children and Families (DCF), Department for Health and Environment (KDHE), Insurance Department, Office of the State Bank Commissioner, Department of Administration, Board of Regents, and Department of Revenue.

The Office of the State Treasurer estimates enactment of the bill would increase expenditures by $200,000 in FY 2019 and the agency would request that amount come from the State General Fund. The $200,000 would be used as “seed money” to begin establishing the program. The Office estimates enactment of the bill would require the agency to hire an additional 1.00 FTE Public Service Administrator to administer the program with a base salary of $47,022 to $59,910. Over time, the program would become self-supporting by assessing fees on account holders. The agency did not estimate when the program would become self-sustaining.

According to the Department for Children and Families, enactment of the bill would increase expenditures by $96.2 million from all funding sources, including $93.2 million from the State General Fund in FY 2020. For FY 2021, the agency estimates increased expenditures totaling $28.7 million from all funding sources, including $27.5 million from the State General Fund. DCF estimates that the bill would establish accounts for all children eligible for public assistance, not just TANF or Medicaid eligible children. DCF further notes that TANF monies are allowable for the purposes set forth in the bill. However, TANF monies could only be used for TANF eligible children. Non-TANF children that are eligible for public assistance are estimated by the agency to total 372,732 in FY 2020 (372,732 children X $250 = $93,183,000). This includes 263,545 current non-TANF cases and 109,187 new non-TANF cases. DCF estimates approximately 109,967 new non-TANF children per year in FY 2021 and beyond (109,967 X $250 = $27,491,750). The estimate assumed that non-TANF eligible children would have their accounts funded through the State General Fund, while TANF eligible children would have their accounts funded through TANF. The agency estimates 11,762 TANF children would be eligible for accounts in FY 2020, this includes 6,358 current TANF children and 5,404 new TANF children (11,762 children X $250 = $2,940,500). For FY 2021 and beyond, the agency estimates 4,864 new TANF eligible children per year (4,864 children X $250 = $1,216,000).

KDHE estimates enactment of the bill would increase agency expenditures from the State General Fund by $51,000 in FY 2020 to make modifications to the Vital Statistics Integrated Information System (VSIIIS). Modifications would include posting a new form to the VSIIIS, restructuring birth data fields to accommodate requirements of the bill and changing the issuance and filing processes which includes coding. Additionally, KDHE would need to develop an
exporting process to send all birth records, if consent is given by the parent, to the Office of the State Treasurer to set up a savings account on behalf of the child.

The Insurance Department estimates the bill could reduce receipts going to the State General Fund as certain receipts relate to insurance premium taxes. However, the reduction in State General Fund receipts cannot be estimated. The Office of the State Bank Commissioner notes the agency assesses fees on certain financial institutions and those fees are assessed based on the total institutional assets. The bill would allow certain financial institutions to make donations to the Kansas Children’s Savings Account Program Trust Fund and those donation amounts would be deducted from institutional assets. Reducing assets would result in a slightly lower fee being assessed, causing a negligible reduction in fee receipts collected by the Office. Conversely, the bill also has the potential to increase institutional assets, resulting in slightly higher fee being assessed, if a state-charted bank would hold deposits for this new program.

Enactment of the bill would also allow authorized payroll deductions to be made from salary and wages of state officers and employees for the Kansas Children’s Savings Program. The Department of Administration indicates this would increase agency expenditures by $25,368 in FY 2019 and by $5,760 in FY 2020, all from agency fee funds. Cost estimates are the result of making system changes, including ongoing costs related to initiating, reconciling and remitting on-going payroll deductions. Of the amounts estimated, the agency indicates $5,760 would be ongoing and become a part of the agency’s base budget. The estimated increase in expenditures could be absorbed within the agency’s existing resources.

The Board of Regents indicates enactment of the bill could encourage more families to save for postsecondary educational expenses. More families saving for postsecondary education could lead to more students attending postsecondary education in the future. If more students are enrolled in postsecondary education, universities may gain additional tuition revenue. However, the Board cannot estimate how the bill would affect enrollment at universities and, consequently, cannot estimate the bill’s fiscal effect on tuition revenues.

The Department of Revenue does not have data on how many taxpayers would claim this new tax credit to provide an accurate estimate of the fiscal effect of the bill; however, the amount of tax credits that could be claimed would be capped at $5.0 million in any one tax year. The Department of Revenue indicates that it would require a total $602,080 from the State General Fund in FY 2020 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue and outside contract programmer services. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department’s programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department’s current budget may be required. Since the original fiscal note was issued, the Department of Revenue lowered its estimate on administrative costs needed to implement the bill.

The Department of Administration indicates that adjusting state income tax collections has the potential to have a fiscal effect on the amount of revenue collected from its debt setoff program.
This program intercepts individual income tax refunds and homestead tax refunds and applies those amounts to debts owed to state agencies, municipalities, district courts, and state agencies in other states. Debts include, but are not limited to child support, taxes, educational expenses, fines, services provided to the debtor, and court ordered restitution. As the dollar amounts of refunds are increased, the amount available for possible debt setoffs is also increased. However, the Department is unable to make an estimate of the amount of additional debts setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with HB 2096 is not reflected in The FY 2020 Governor’s Budget Report.

Sincerely,

Larry L. Campbell
Director of the Budget

cc: Peter Northcott, Office of the Treasurer
    Lynn Robinson, Department of Revenue
    Dan Thimmesch, Health & Environment
    Jackie Aubert, Children & Families
    Colleen Becker, Department of Administration
    Glenda Haverkamp, Insurance
    Tim Kemp, Banking
    Kelly Oliver, Board of Regents