

February 8, 2023

CORRECTED

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Corrected Fiscal Note for SB 128 by Senators Straub, Peck, Steffen, and Thompson

In accordance with KSA 75-3715a, the following corrected fiscal note concerning SB 128 is respectfully submitted to your committee.

SB 128 would allow a refundable income tax credit for any taxpayer that: (1) has a dependent child that is enrolled in kindergarten or grades one through 12 in an accredited nonpublic school or a non-accredited private or elementary school registered with the Department of Education; and (2) whose student was not included in the enrollment of a school district, beginning in Tax Year 2023 (FY 2024). The tax credit would be equal to the amount of the Base Aid for Student Excellence (BASE) in the school finance formula in effect on January 1 of the tax year for each dependent child. The taxpayer would have to provide a valid social security number for each dependent child when seeking the tax credit. The Department of Revenue would be able to consult with the Department of Education to verify the enrollment status of a student for the tax credit. On or before January 15 of each year, the Department of Revenue would be required to report to the Legislature on the tax credit program for the immediately preceding tax year.

The Department of Education reports that 26,446 students enrolled in non-public K-12 schools in the 2022-2023 school year. With the assumption that all students would have parents receive the refundable tax credit in FY 2024, the Department of Revenue estimates that the enactment of SB 128 would reduce State General Fund receipts by \$128.2 million, based upon a BASE of \$4,846 in effect on January 1, 2023, (26,446 students X \$4,846 BASE = \$128,157,316) if all parents of students in accredited schools would claim the refundable tax credit. Using the same estimates for students enrolled in non-public K-12 schools in future years, the Department estimates that FY 2025 receipts to the State General Fund would be reduced by \$135.0 million

with a BASE of \$5,103. In FY 2026, the Department estimates that revenues to the State General Fund would be reduced by \$143.4 million, with a BASE of \$5,431.

For non-accredited private schools, the Department notes that the number of students enrolled is not reported to the agency. However, these schools are required to report to the Department the address of the school, along with a name for the custodian of records for the school. No further information is collected by the Department regarding these schools. The Department reports approximately 46,000 non-accredited private schools that have registered with the Department. The Department indicates that this likely is not an accurate count of current schools operating, as these non-accredited private schools are not required to notify the Department when the school is no longer operating.

To attempt to estimate the potential number of students in non-accredited private schools, the Department indicates that the US Census reports there are 525,750 children between ages six and 18 living in the state. To account for kindergarten students, the Department estimates that number to increase by 40,440 to 566,190 students. Subtracting the public-school school enrollment of 484,000 and the accredited private school enrollment of 26,446 students leaves an estimated 55,744 students in non-accredited private schools ($525,750 + 40,440 - 484,000 - 26,446 = 55,744$). Utilizing this non-accredited private school student estimate, along with using the estimated BASE in effect on January 1, 2023, the bill would reduce FY 2024 State General Fund revenues by \$2.7 million for every 1.0 percent of students' parents that would claim the tax credit ($55,744 \text{ students} \times 1.0\% = 558 \text{ students} \times \$4,846 \text{ BASE} = \$2,704,068$). The actual reduction in revenues from the State General Fund as a result from SB 128 would depend on the number of students attending accredited and non-accredited private schools who have parents that would claim the tax credit.

The Department of Education indicates that it would need an additional 0.50 FTE administrative position to work with the Department of Revenue to verify students' eligibility for participation in the program. This position would require expenditures totaling \$38,750, all from the State General Fund, including \$36,250 for salaries and wages, including fringe benefits, as well as \$2,500 for other operating expenditures, such as information technology, copier usage, and office rent.

The Department of Revenue indicates that the bill would require \$98,185 from the State General Fund in FY 2024 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. 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.

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 a precise estimate of the amount of debts setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with SB 128 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt". The signature is fluid and cursive, with a distinct flourish at the end.

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Craig Neuenswander, Department of Education