The Honorable Troy Waymaster, Chairperson
House Committee on Appropriations
Statehouse, Room 111-N
Topeka, Kansas 66612

Dear Representative Waymaster:

SUBJECT: Fiscal Note for HB 2609 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2609 is respectfully submitted to your committee.

HB 2609 would establish the Kansas Empowerment Scholarship Program which would be administered by the State Treasurer. Qualified students would be allowed to establish education savings accounts which could be used to pay for allowable educational expenses at participating learning entities. “Qualified students,” “allowable expenses,” and “participating learning entities” are defined in the bill. Participating learning entities would be required to apply for such status through a process specified in the bill. The Kansas Empowerment Scholarship Fund, as administered by the State Treasurer, would be created to carry out the provisions of the bill.

The Kansas Empowerment Scholarship Fund would be funded by transfers from the State General Fund. The amount transferred from the State General Fund to the Kansas Empowerment Scholarship Fund would equal 80.0 percent of BASE aid multiplied by the number of participating students. The amount of state foundation aid provided to each school district, depending on the number of students each school district has participating in the program, would be reduced by the same amount. The State Treasurer would be required to notify the school districts of every participating student. The State Treasurer would also be authorized to transfer an amount equal to transportation costs provided by the participating learning entity. The learning entity would be required to certify the fees needed for transportation, which would be capped at $750. The State Treasurer would be allowed to assess a fee on accounts to act as reimbursement for administering the program.

The bill would also make changes to how federal adjusted gross income is computed by altering how charitable contributions are counted under Kansas tax law. The bill would specify amounts transferred from qualified accounts established under the Act to the Kansas Empowerment Scholarship Fund are not to be subtracted from federal adjusted gross income.
The Office of the State Treasurer indicates enactment of HB 2609 would increase agency expenditures by $57,500 in FY 2018 and by $137,000 in FY 2019 and beyond. For FY 2018, the Office estimates expenditures to prepare for implementation of the program, which would occur in FY 2019. Expenditures for FY 2018 would include implementing payment systems, development of a website and office supplies. For FY 2019, the agency estimates adding 2.00 FTE positions, including 1.00 Public Service Administrator II and 1.00 Administrative Specialist, to fully implement the program and expenditures totaling $137,000. Expenditures for FY 2019 would be ongoing and become a part of the agency’s base operating budget. The agency estimates the program would be self-sustaining in FY 2019 and FY 2020 if 700 students opened accounts; the program would be self-sustaining by assessing fees on account holders. An additional 280 students would need to open accounts for the agency to recover initial start-up costs from FY 2018. For FY 2020 and beyond, the agency estimates 350 accounts would need to be active for the agency to recoup costs associated with administering the program.

The State Board of Education indicates enactment of HB 2609 would have a fiscal effect on school districts. The Board estimates the number of students participating in the program would slowly grow over time. If 250 students participate in the program, the Board estimates state aid payments would be reduced by $825,600. If 1,000 students participate in the program, schools would receive $3.3 million less in state aid, all from the State General Fund. It is not possible to estimate which school districts would experience reductions or how much of a reduction would be experienced, as the Board cannot estimate the number of students that would participate in the program or which school districts would be affected. The Board’s estimates were calculated by taking the number of students multiplied by BASE aid and multiplying that amount by 80.0 percent (250 students X $4,128 X 80.0 percent = $825,600).

The Department of Revenue estimates enactment of HB 2609 would increase agency expenditures by $19,086 in FY 2019. The Department estimates certain form and system changes would be necessary to implement provisions in the bill relating to charitable donations. Those expenditures would be one-time expenditures. The Department cannot estimate how enactment of HB 2609, by implementing a new subtraction modification to federal gross income, would affect future tax revenues. Any fiscal effect associated with HB 2609 is not reflected in The FY 2019 Governor’s Budget Report.

Sincerely,

Larry L. Campbell
Chief Budget Officer

cc: Kelly Oliver, Board of Regents
Dale Dennis, Education
Peter Northcott, Office of the Treasurer
Scott Miller, PMIB
Lynn Robinson, Department of Revenue