

March 21, 2019

REVISED

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Revised Fiscal Note for HB 2301 by Representative Whipple

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2301 is respectfully submitted to your committee.

HB 2301 would establish the Tax Credit for Low Income Postsecondary Students Scholarship Program Act so that any eligible low income at-risk student could attend a Kansas postsecondary educational institution with a scholarship of up to \$8,000 per school year awarded through a scholarship granting organization. The Act would replace an existing tax credit program, the Tax Credit for Low Income Student's Scholarship Program, for scholarship provided to low income students who have not graduated from high school or reached 21 years of age. The Act would define eligible student as a person who:

1. Has been identified as an at-risk student, attended grade 12 at a school district of this state, attended any public or nonpublic school in this state immediately prior to graduation and can demonstrate financial need, or previously received a postsecondary educational scholarship through this program;
2. Resides in Kansas while receiving a postsecondary educational scholarship; and
3. Is enrolled in at least 12 credit hours at a Kansas educational institution for each semester that a postsecondary educational scholarship is disbursed to the student.

HB 2301 would require the Board of Regents to administer the new program and submit an annual report to the Kansas Legislature. The scholarship granting organization would be required to file certain information with the Board including, but not limited to, finances and scholarship limitations. The scholarship granting organization could qualify for a tax credit by applying to the Board. A taxpayer who contributes to a scholarship granting organization could receive a tax credit equal to 70.0 percent of the amount contributed, up to \$500,000 for any tax year. The total amount of credits allowed in the program must not exceed \$10.0 million for any

tax year. The existing Tax Credit for Low Income Students Scholarship Program Act would be repealed after tax year 2019. No contribution would be accepted by any scholarship organization for the purposes of the Tax Credit for Low Income Student's Scholarship Program on and after July 1, 2019. The bill includes other definitions and provisions required to implement the new program.

The Department of Revenue indicates \$3.4 million in contributions were received by scholarship granting organizations during tax year 2017, equating to approximately \$2.4 million in tax credit being issued. The Department indicates HB 2301 would have no fiscal effect on State General Fund revenues if the total amount of contribution to a scholarship granting organization does not change. The Department indicates it would require a total of \$530,606 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.

The Board of Regents indicates HB 2301 would require staff time spent tracking and administering the program; however, these provisions could be accomplished within current budget resources and staffing levels. The Board indicates the bill could also have a fiscal effect on the state universities, Washburn University, community colleges, and technical colleges if contributions are made to scholarship granting organizations, and scholarships are awarded to students who would have not otherwise enrolled in the institutions. If this occurs, the Board indicates tuition revenues would increase from additional student enrollments, but a precise estimate of new tuition revenues cannot be determined since it is unknown how many additional students would enroll. Any fiscal effect associated with HB 2301 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Campbell", written in a cursive style.

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Dale Dennis, Education
Kelly Oliver, Board of Regents