

MINUTES OF THE SENATE EDUCATION COMMITTEE

The meeting was called to order by Chairman Jean Schodorf at 1:40 p.m. on March 15, 2006, in Room 123-S of the Capitol.

Committee members absent:

Committee staff present: Deb Hollon, Kansas Legislative Research Department
Carolyn Rampey, Kansas Legislative Research Department
Theresa Kiernan, Revisor of Statutes
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Representative Edward O'Malley
Scott Gates, State Treasurer's Office
April Holman, Kansas Action for Children
Kathy Cook, Kansas Families United for Public Education
Senator Dwayne Umbarger
Representative Doug Gatewood

HB 2722—Postsecondary savings accounts; pilot program providing state matching of contributions by low-income participants

Deb Hollon, Kansas Legislative Research Department, explained that **HB 2722** would establish the Low-Income Family Postsecondary Savings Accounts Incentive Program, a pilot program which would become effective July 1, 2006, and would run until June 30, 2009. It would provide a state match of Learning Quest deposits by Kansas individuals and families with a household income of not more than 200 percent of the federal poverty level. The program would be limited to 400 approved applications each year. No more than 100 of those applications from each Congressional district could be approved each year. The state would match those deposits on a dollar-for-dollar basis if the participant contributes at least \$100 each year to a maximum of \$600 a year. The program would sunset in Fiscal Year 2008.

Representative Edward O'Malley testified in support of **HB 2722**. He commented that the bill was the next step in the development of more asset building types of legislation in the state. He noted that the concept behind asset building measures basically recognizes the fact that it is through asset building that citizens in lower-income ranks can climb into the middle class. He explained that the bill dealt with the Learning Quest 529 Plan, and the State Treasurer's Office assisted him in developing the bill. The goal of the bill is to encourage more low-income Kansans to save for college. The State Treasurer would be provided the flexibility to administer the pilot program. In conclusion, he emphasized that providing resources to access higher education is perhaps the best economic development the Legislature can do. (Attachment 1)

Senator Vratil expressed concern that the \$340,000 fiscal note on the bill included \$100,000 for marketing and administration of the program. He commented, "No business in their right mind would spend \$100,000 on advertising for the chance of having a gross revenue of \$240,000. Why so much for administration and marketing?" Representative O'Malley responded, "I imagine that, when that fiscal note was prepared, the Budget Office talked to the State Treasurer's Office. I imagine the State Treasurer's Office put some thought into what type of outreach they would need to do to reach this population throughout the state. There is a realization that, whether it's a \$100,000 or less than that or more than that, the Treasurer's Office will need some resources to develop this program so that it can target these different populations." Senator Vratil commented, "American Century is the brokerage company that is responsible for that, and they bear at their own expense the marketing charges for that. Seems to me that they could do the same thing for this. I'm very supportive of the concept of the bill, but I'm not supportive of spending \$100,000 for the opportunity to get \$240,000. We'd be better off doing \$100,000 in scholarships to low-income students and get the money to them directly. If the Treasurer's Office thinks they have to spend \$100,000 to market this, I can't support the bill."

Scott Gates, Director of Learning Quest, State Treasurer's Office, stated, "American Century has a marketing budget of about \$1 million every year. This \$100,000, if we ask them to bear that, would be 10 percent of their marketing budget to reach a population that is going to make minimal contributions simply because of

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their income level. We've asked for that for the expense of printing materials that directed specifically about this program's benefits in addition to just a description of our options and program materials and also to have some additional staff time that may be necessary to process the applications. That figure may indeed not be quite as high as \$100,000, but we certainly need some resources to do that rather than just push that off onto American Century." Mr. Gates noted that sometimes the marketing expense for the first year of a program is high because the Treasurer's Office is kicking off something new, but the expense for the second year might not be so high.

Mr. Gates went on to testify in support of **HB 2722**. He noted that, from the beginning, the Treasurer's Office has done everything it could to make the Learning Quest program attractive to Kansans of all incomes. He pointed out that adding a matching grant for lower income Kansans ensures that even those who pay little or no Kansas income tax can benefit from the program. He called attention to a balloon amendment to the bill attached to his written testimony. He explained that the amendment would give the Treasurer's Office more flexibility to develop procedures for ensuring that the matching funds are used for college expenses, and it also addresses the process for transferring the matching funds into the participants' accounts. For the Committee's information, the federal poverty guidelines and a report from www.SavingForCollege.com on other states' savings programs were also attached to his testimony. (Attachment 2)

April Holman, Kansas Action for Children, testified in support of **HB 2722** as a means for helping low-income children and their families to begin thinking and planning for higher education. She discussed the importance of higher education in breaking the cycle of poverty. She pointed out that national research on 529 college savings programs showed that participation by low-income families is minimal, and the Kansas Department of Revenue reported that over half of the returns claiming a deduction for Learning Quest contributions in tax year 2004 were from taxpayers with a Kansas adjusted gross income of \$100,000 or more. She noted that the low-income participants do pay taxes, but the difference is, instead of itemizing their deductions as high-income people often do, many low-income people use the standard deduction. Therefore, under the current system, the major incentives for participation in the Learning Quest program are in the form of favorable tax treatment for investments. She emphasized that **HB 2722** would provide a direct incentive for low-income Kansans to participate in the Learning Quest program. (Attachment 3)

Kathy Cook, Kansas Families United For Public Education, testified in support of **HB 2722**. She pointed out that the working poor often receive wages too low to benefit from a number of financial savings programs available which allow middle class families to save for their children's future. She noted that the number of Kansas children living in poverty is on the rise, and the bill would provide less fortunate students with a means to realize their dream of a college education upon graduation. She pointed out that citizens with a higher educational background will make more income and, therefore, pay more taxes. (Attachment 4)

Senator Allen asked Mr. Gates to give a more detailed account of the \$100,000 administrative and marketing expense. Mr. Gates indicated that the Treasurer's Office looked at the mailing expense to reach 300,000 households (approximately \$60,000 in printing and postage for one mailing). He noted that, regardless of any additional staff expenses, the office would probably spend about \$100,000 for one or two mailings.

Senator Schodorf called attention to written testimony in support of **HB 2722** submitted by Gary Daniels, Secretary, Kansas Department of SRS (Attachment 5); Reginald L. Robinson, President and CEO, Kansas Board of Regents (Attachment 6); and Deborah Adams, Associate Professor, University of Kansas School of Social Welfare (Attachment 7).

There being no others wishing to testify, the hearing on **HB 2722** was closed.

HB 2634—School districts; assessed valuation

Senator Dwayne Umbarger testified in support of **HB 2634** with a proposed amendment. (Attachment 8) He explained that the bill would allow the assessed valuation of a new ethanol plant to be constructed in Haskell County to be shared equally between USD 507 and USD 374. He noted that his proposed amendment was a similar proposal relating to Cherokee County in southeast Kansas. He explained that the amendment would simply add a new section that would mirror the first part of Section 1, but "school district" in the new

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language would mean USD 404, USD 493, USD 499, and USD 508. The school districts are all located in Cherokee County, and they consist of the communities of Riverton, Columbus, Galena, and Baxter Springs. The description of the property in the new language would be, “any property, and improvements thereon, comprising a racetrack gaming facility or lottery gaming facility under the Kansas expanded lottery act located in Cherokee County.” He noted, “I believe that the Committee knows of the initiative this year that will probably be before the Legislature, precisely before the Senate committee as it relates to expanded gaming, and I wanted to make a provision that would mirror what they are doing in western Kansas, particularly in Haskell County, that, if that entity was to be located in Cherokee County, then it would be beneficial to all four districts within the county.” With regard to subsection (b) concerning computing the assessed valuation of school districts, he explained that the new language would be “1/4 of the assessed valuation of such property shall be assigned to each of the school districts.” With regard to subsection (c), the new language would be, “ceases to be used as a racetrack gaming facility or a lottery gaming facility under the Kansas expanded lottery act.” He noted that the following corrections were needed: in subsection (2), insert “s” on improvement; in subsection (b), a space between the comma and 1/4; and in subsection (c), insert “a” before racetrack and lottery.

Theresa Kiernan, Revisor of Statutes Office, explained that Representatives Hayzlett and Light requested **HB 2634**, and they had explained that both school boards agreed to share the assessed valuation. Senator Umbarger pointed out that line 31 on page one of the bill states, “The provision of this section shall not apply if the property is not or ceases to be used for the production of ethanol,” and his proposed amendment had similar language. He confirmed that three of the Cherokee County school districts supported the amendment, but the fourth district had some concerns.

Representative Doug Gatewood testified in support of Senator Umbarger’s proposed amendments as well as the original bill. He explained that the developer in Representative Hayzlett’s and Light’s district came to them and requested that the two school districts get together and share the value. He commented, “That’s basically how this amendment has come together too – because the people that will be looking at the proposal for Cherokee County first brought this to Senator’s and my attention that they would like the same effect in Cherokee County for several reasons, but they understand that the four school districts have worked very well together; they’ve been proactive instead of reactive on many issues. All four superintendents are here today. To address the question about that fourth school district, that school district also has a power plant within their border so they’re pretty good on evaluation right now anyway.” He introduced the following superintendents: David Walters from Riverton (USD 404), Dennis Burke from Baxter (USD 508), Ken Jones from Columbus (USD 493), and Brian Smith from Galena (USD 499). He commented, “They’ve always worked well together. They realize that we are interconnected and interdependent, and they’ve come today to show their support for this as well.”

There being no others wishing to testify, the hearing on **HB 2634** was closed.

Senator Teicman moved to amend **HB 2634** to include the amendments as submitted and corrected by Senator Umbarger, seconded by Senator Vratil. The motion carried.

Senator Steineger moved to amend **HB 2634** by replicating Senator Unbarger’s amendment except it would be for school districts 202, 203, 204, and 500 (the four school districts for Kansas City, Kansas).

Senator Steineger confirmed that he had not talked to the school districts about his suggested amendment, and commented, “I think the politics will be the same. Three districts will be very happy, and one will be just happy.” Senator Goodwin suggested that he check with the districts, and if they were in agreement with his proposed amendment, the amendment could be offered as a floor amendment.

On a call for a second to Senator Steinerger’s motion, there was no second.

Senator Teichman moved to recommend **HB 2634** favorably for passage as amended, seconded by Senator Vratil. The motion carried.

Senator Schodorf called attention to the minutes of the March 6, 7, and 8 meetings.

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Senator Goodwin moved to approve the minutes of the March 6, 7, and 8 meetings, seconded by Senator Apple. The motion carried.

The meeting was adjourned at 2:25 p.m.

The next meeting is scheduled for March 16, 2006.

Written testimony in support of **HB 2634** was submitted for the record on March 16. (Attachment 9)