

January 26, 2021

The Honorable Molly Baumgardner, Chairperson
Senate Committee on Education
Statehouse, Room 445B-S
Topeka, Kansas 66612

Dear Senator Baumgardner:

SUBJECT: Fiscal Note for SB 44 by Senate Committee on Education

In accordance with KSA 75-3715a, the following fiscal note concerning SB 44 is respectfully submitted to your committee.

Under current law, the Kansas Investments Developing Scholars (KIDS) Matching Grant Program provides a dollar-for-dollar match up to \$600 grant each year to each qualifying participant who contributes at least \$100 toward a beneficiary's postsecondary education through the Learning Quest 529 Education Savings Program and has household income below 200.0 percent of the federal poverty level. SB 44 would allow accounts established for a qualifying child with a family member that is currently serving or honorably discharged from the armed forces of the United States, or currently serving or has retired from the Kansas National Guard to qualify for the KIDS Matching Grant Program. The bill would allow up to 300 participants from a qualifying military family to qualify for the matching grant each year beginning in calendar year 2021 without any household income restrictions. The bill would allow contributions from a charitable organization and non-family members to a Learning Quest account to now qualify for the KIDS Matching Grant Program. Learning Quest account withdrawals from charitable organization contributions would be restricted to be used only for qualifying education expenditures.

The Office of the State Treasurer indicates SB 44 would decrease State General Fund revenue by approximately \$450,000 in FY 2022 by increasing the State General Fund transfer to the Kansas Postsecondary Education Savings Program Trust Fund by that same amount. The bill is estimated to have similar results in future fiscal years.

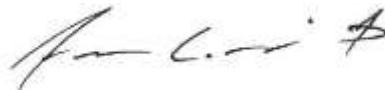
To formulate these estimates, the Office of the State Treasurer reviewed data on the KIDS Matching Grant Program. The Office indicates that it is authorized to match up to \$600 for up to

1,200 participants based on contributions to their Learning Quest accounts. If all participants receive the maximum match, then the annual maximum State General Fund transfer commitment would be \$720,000 (\$600 match x 1,200 participants). However, the program had only 734 participants with total matching contributions of \$361,818 in FY 2020, or an average match of \$493 per participant. For the last five years, the program had an average of 750 participants with total matching contributions averaging \$383,572, or an average match of \$511 per participant. Under current law, the Office estimates that it will receive a transfer of \$450,000 from the State General Fund in FY 2022 to fully fund the current match obligations of the KIDS Matching Grant Program. The Office indicates that allowing contributions from a charitable organization and non-family members to a Learning Quest account would likely reach the maximum State General Fund transfer match amount of \$720,000 in FY 2022, or an increase of \$270,000.

Allowing accounts established for a qualifying child with a family member that is currently serving or honorably discharged from the armed forces of the United States, or currently serving or has retired from the Kansas National Guard to qualify for the KIDS Matching Grant Program would allow an additional 300 participants to receive the state match. If all 300 participants received the full state match of \$600, then the State General Fund transfer would increase by \$180,000. The Office indicates that the costs to update forms and instruction would be negligible and could be absorbed within 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. Any fiscal effect associated with SB 44 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Kelly Oliver, Board of Regents
Lauren Tice Miller, Office of the Treasurer