Division of the Budget
Landon State Office Building
900 SW Jackson Street, Room 504
Topeka, KS 66612

Kansas
Division of the Budget

Phone: (785) 296-2436
adam.c.proffitt@ks.gov
http://budget.kansas.gov

Adam C. Proffitt, Director

Laura Kelly, Governor

February 13, 2024

The Honorable Molly Baumgardner, Chairperson
Senate Committee on Education
300 SW 10th Avenue, Room 144-S
Topeka, Kansas 66612

Dear Senator Baumgardner:

SUBJECT: Fiscal Note for SB 437 by Senate Committee on Education

In accordance with KSA 75-3715a, the following fiscal note concerning SB 437 is respectfully submitted to your committee.

SB 437 would appropriate $100.0 million from the State General Fund in FY 2025 to the State Treasurer for continued funding of the Kansas Education Enrichment Program (KEEP). The current KEEP is a limited program that is funded with a one-time allocation of federal American Rescue Plan Act funds of $50.0 million in the Office of the Governor that provides $1,000 in grants to qualified students for approved educational goods and services. The current program has awarded all funds and is no longer accepting applications or providing awards.

This revised program in the bill would authorize grant payments of $2,000, payable in two separate payments to qualified students. A qualified student would be defined as a resident of Kansas who is eligible to enroll in and attend kindergarten through grade 12 at a Kansas public school. The first payment would be made when the qualified student is eligible to enroll in grades one through eight. The second payment would be made when the qualified student is eligible to enroll in grades nine through 12.

The bill would authorize the State Treasurer to have a third-party vendor to administer and distribute the grant awards. The vendor would be required to create a digital account for each participating student for the reimbursement and direct payment of qualified expenses. Qualified expenses would be defined as expenses paid for educational goods and services, including tuition, extended school day educational programs, summer camps, or any other services offered by school districts or other education providers.

In addition, the bill would create a special revenue fund titled "Kansas Education Enrichment Program Fund." Beginning on July 1, 2025, and each subsequent July 1, the bill would require the Director of Accounts and Reports to transfer funds from the State General Fund to the special revenue fund, upon certification by the State Treasurer. The State Treasurer would be required to certify amounts that would correspond to the number of qualified students receiving awards for the next succeeding school year on or before August 1 of each year.

Initially to fund the program, SB 437 would contain a FY 2025 appropriation of $100.0 million from the State General Fund to the State Treasurer. For subsequent fiscal years, the bill would fund the program from a State General Fund revenue transfer to the special revenue fund created in the bill, as certified to the Director of Accounts and Reports by the State Treasurer. The amount of future State General Fund revenue transfers after FY 2025 would depend on the number of qualified students participating in the program, as certified by the State Treasurer to the Director of Accounts and Reports.

The State Treasurer reports that based on US Census data, approximately 556,000 students would be eligible to receive scholarship awards during the first year of the program; however, the appropriation of $100.0 million would limit the number of students who could receive a scholarship at 100,000 students. In addition, this estimate would not include any administrative expenses required for the program. The agency notes that the first few years of implementation would likely experience the most awards, as all qualifying students would be eligible in a single group; however, in future years, a limited number of students would receive grants, as students gradually age into eligibility.

The State Treasurer notes that the program would likely be managed by a vendor, like the existing KEEP, which is managed by the Office of Recovery in the Governor's Office. This closed program had estimated management fees of approximately $2.1 million. Because the program authorized with the bill would be twice as large as the current program, the State Treasurer estimates that annual management fees of approximately $4.2 million would be required. The agency notes that actual contract costs could vary because of the differences between the current program and that authorized by the bill, market conditions, and other factors. Any administrative expenses would be spent from funds appropriated by the bill.

In addition to the contract costs, the State Treasurer would require at least 1.00 FTE for a program manager at a total cost of $106,100 for salaries and wages (including fringe benefits). In addition, the agency would require additional administrative staff and additional legal and auditing staff. However, the actual costs of the additional staff cannot be estimated, as the number of positions required is not known.

Other operating expenditures for any additional positions required in the State Treasurer would include computer equipment, software licensing, and phone and data line fees, for a total estimated cost of approximately $3,000 for each position. Also, a new network printer lease would be needed for a cost of $3,100 per year. In addition, the program would require an increase in postage and printing, depending on the number of accounts managed. Depending on the number of additional positions required, additional office furniture would be required. The agency estimates that for each position, additional annual office rental expenditures of $6,201 would be required, based on 275 square feet per employee at $22.55 per square foot, which is the current leasing rate in the Landon State Office Building. The agency notes that the program's costs could vary significantly, depending on the structure and scope of a potential vendor contract. Future fiscal year administrative expenses would depend on the number of additional employees hired. Any fiscal effect associated with SB 437 is not reflected in *The FY 2025 Governor's Budget Report*.

The Division of the Budget notes that although the bill's title would reference an appropriation to the Department of Revenue, the bill would appropriate funding to the State Treasurer.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
John Hedges, Office of the State Treasurer