

January 27, 2016

The Honorable Ronald Highland, Chairperson
House Committee on Education
Statehouse, Room 561-W
Topeka, Kansas 66612

Dear Representative Highland:

SUBJECT: Fiscal Note for HB 2457 by House Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2457 is respectfully submitted to your committee.

HB 2457 would amend the Tax Credit for Low Income Students Scholarship Program. Under current law, the program is available to qualified students attending either a Title I focus public school or a Title I priority public school. HB 2457 would allow qualified students attending a private school to be eligible for the scholarship program.

The bill would change the definition of a qualified student for the scholarship program. Under current law, only at-risk students, as defined by KSA 72-6407 prior to its repeal, are eligible for the program. With HB 2457, any student that has a family income within 250.0 percent of the federal poverty level would be eligible.

Under current law, among other tax credits allowed, any contributions to a scholarship granting organization for the program can be used as a tax credit against a corporate income tax liability, up to 70.0 percent of the amount contributed. Aggregate tax credits claimed for the program in any one tax year are limited to \$10.0 million. HB 2457 would allow an income tax credit for individuals or corporations, up to 100.0 percent of the amount contributed. The aggregate limit of all tax credits with the program would be increased to \$12.5 million in any one tax year, up from the current aggregate limit of \$10.0 million.

According to the Department of Revenue, for tax year 2015, the total amount of tax deductible scholarship contributions was \$776,000, which equates to \$543,200 in tax credits (70.0 percent of contributions) in FY 2016. The Department of Revenue estimates that enactment of HB 2457 would result in an additional \$8.0 million in tax credits during FY 2017. However, the Department of Education estimates that the entire \$12.0 million in tax credits

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would be utilized, as the number of eligible students for the scholarship program would increase, as well as that individuals could claim the tax credit.

In addition, the Department of Revenue estimates that it would require additional administrative costs of \$180,843, including 1.0 FTE Customer Representative Specialist. Of this amount, \$63,501 would be for salaries and wages, \$91,800 for information technology expenditures, and \$25,542 for testing costs.

The Department of Education estimates that FY 2017 expenditures totaling \$59,911 from the State General Fund would be required, including 1.00 FTE Accountant II position. Of this amount, \$53,911 would be for salaries and wages and \$6,000 would be for other operating expenditures, including rent, and office equipment. The position would be responsible for determining income eligibility for participating students. Any fiscal effect associated with HB 2457 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Dale Dennis, Education
Jack Smith, Department of Revenue