

February 19, 2019

REVISED

The Honorable Ken Rahjes, Chairperson
House Committee on Higher Education Budget
Statehouse, Room 149-S
Topeka, Kansas 66612

Dear Representative Rahjes:

SUBJECT: Revised Fiscal Note for HB 2216 by Representative Alcalá

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2216 is respectfully submitted to your committee.

HB 2216 would create the State Employee Student Loan Repayment Assistance Act to provide a tax credit of 50.0 percent of the total principal and interest paid by an eligible state employee during the tax year in which the payments were made for educational expenses incurred at a Kansas postsecondary educational institution. The Kansas Board of Regents would be required to certify whether or not a person is an eligible borrower; certify the amount of principal and interest a person paid as a state employee; and establish rules and regulations for administration of the Act. The bill includes definitions and eligibility requirements, and would take effect upon publication in the statute book.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	(\$14,688,000)	(\$14,688,000)
Expenditure	--	--	\$301,965	\$301,965
FTE Pos.	--	--	1.00	1.00

The Kansas Department of Revenue indicates HB 2216 would reduce revenues to the State General Fund, but does not have sufficient information to produce a reliable estimate. The Department indicates it would require a total of \$301,965 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. After the original fiscal note was issued, the Department of Revenue reduced its estimate of the administrative costs attributable to the bill. 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.

Using internal data and data taken from a College InSight report, the Kansas Board of Regents estimates the tax credit provided in HB 2216 would reduce individual income tax revenues by \$14.7 million annually beginning in FY 2020 (8,000 state employees with student loan debt x \$3,672 average student loan payments annually x 50.0 percent = \$14,688,000). The estimate was calculated assuming an average student loan debt of \$27,720, average interest rate on federal student loans of 5.9 percent, and a ten-year repayment term which produces an average monthly payment of \$306, or \$3,672 annually (www.finaid.org/calculators/loanpayments.phtml). The Board estimates it would require \$72,800 annually from the State General Fund beginning in FY 2020 for 1.00 FTE position and information technology costs to administer the program. Any fiscal effect associated with HB 2216 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, written over a white background.

Larry L. Campbell
Director of the Budget

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