

January 22, 2015

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Kansas Action for Children

Testimony for Senate Ways and Means Committee Hearing on SB 35

Chairman Masterson and Members of the Committee:

Kansas Action for Children is a nonpartisan, nonprofit organization dedicated to shaping health, education, and economic policy that improves the lives of Kansas children and families. On behalf of the young children of Kansas, we stand in opposition to SB 35, which includes sweeping \$14.5 million from the Kansas Endowment for Youth (KEY) and \$500,000 from the Children's Initiatives Fund (CIF) into the State General Fund. SB 35:

**Depletes the Kansas Endowment for Youth.**

The CIF and the KEY Fund were created as a result of nationwide tobacco litigation in the late 1990's, with the expectation that the KEY Fund would serve as an endowment for the long-term benefit of children's programs when receipts from the Master Settlement Agreement (MSA) declined. According to K.S.A. 38-2101, all revenues deposited in the KEY Fund should remain in the fund unless they are transferred to the CIF or used to support operating expenses at the Kansas Children's Cabinet or the cost of investing the KEY Fund dollars. Yet, over the years, more than \$147 million dollars have been swept from the KEY Fund—dollars that, if invested, would be worth more than \$200 million today. In fact, the proposed sweep will leave the endowment empty.

**Jeopardizes a long tradition of investing early.**

When Kansas lawmakers made the decision to commit the proceeds from the MSA to children it was, in part, recognition that investing in early childhood programs gives the state the most value for its dollar. For every \$1 invested in early care and education taxpayers save at least \$7 in future costs for reduced grade retention, crime, and other public assistance. Research also demonstrates brain development is the most rapid during the first three years of a child's life. Today, the Children's Initiatives Fund supports almost all of the early childhood infrastructure in our state including programs such as the Early Childhood Block Grant, Kansas Preschool Program, Parents As Teachers, and Tiny-K. Sweeping funds from the CIF and the KEY Fund jeopardizes this essential investment in Kansas' next generation.

**Comes at a critical time in the history of the Master Settlement Agreement.**

Each year Kansas' receives its MSA proceeds in two payments. As part of the MSA's original design, one portion of the payment – which represents approximately 20 percent of the total proceeds in any given year – is scheduled to end in FY 2017. That means a substantial decline in the MSA payment is just around the corner.

For these reasons, we respectfully request that committee members keep the promise made to young Kansas children more than a decade ago and eliminate the sweeps from the Children's Initiatives Fund and the Kansas Endowment for Youth contained in SB 35.



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