

Approved March 14, 1988  
Date

MINUTES OF THE HOUSE COMMITTEE ON EDUCATION

The meeting was called to order by Chairman Denise Apt at  
Chairperson

3:30 ~~xx~~ a.m./p.m. on March 1, 1988 in room 519-S of the Capitol.

All members were present except:

All members present

Committee staff present:

Avis Swartzman, Revisor of Statutes' Office  
Ben Barrett, Legislative Research  
Thelma Canaday, Secretary to the Committee

Conferees appearing before the committee:

Representative Rick Bowden  
Representative Elaine Hassler  
Mr. Mark Tallman, Associated Students of Kansas  
Mr. Craig Grant, Kansas National Education Association  
Dr. Bob Kelly, Kansas Independent College Association  
Mr. Jim Copple, Kansas Federation of Teachers  
Ms. Sue Brownlee, President, Garden City Federation of Paraprofessionals  
Ms. Bonnie Kramer, Alliance of Educational Paraprofessionals in Kansas

Chairman Apt called the meeting to order and opened hearings on H.B. 2876, an act creating the Kansas educational savings plan trust.

The chair recognized Representative Bowden who gave explanation of H.B. 2876. Representative Bowden stated he and Representative Hassler are requesting this bill to help middle class families provide for their children's college education. Their research resulted in three plans: the Michigan Educational Trust Plan, the Illinois model, and the educational savings concept. H.B. 2876 is modeled upon the educational savings concept. (Attachment 1)

Representative Hassler testified in support of H.B. 2876 stating the need for this type of savings plan is becoming more apparent as costs of education arise. (Attachment 2)

Mark Tallman spoke in support of H.B. 2876. Mr. Tallman cited one reason for creating a state-authorized trust is that it would pool contributions by individuals under professional management and result in better returns than could be obtained on their own. (Attachment 3)

Craig Grant testified in favor of H.B. 2876 stating this would provide a convenient and economical way for Kansans to save for the future costs of college education. (Attachment 4)

Dr. Bob Kelly testified in favor of H.B. 2876 stating there is a tremendous need to encourage parents to save for education. Dr. Kelly pointed out there are a quantity of plans in addition to those mentioned by Representative Bowden. He believes it behooves the state of Kansas to look into all these plans and determine the one that best suits the needs of Kansas constituents.

The chair closed hearings on H.B. 2876.

Hearings on H.B. 2983 concerning a paraprofessional grant program were opened by Chairman Apt.

Jim Copple encouraged the committee to report H.B. <sup>2983</sup>2876 favorably. Mr. Copple sees the establishment of educational grants as a major

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON EDUCATION

room 519-S, Statehouse, at 3:30 ~~XX~~ p.m. on March 1, 1988

step in enabling paraprofessionals to make a richer contribution to the classroom. (Attachment 5)

Sue Brownlee asked the committee to act favorably on H.B. <sup>2983</sup>~~2876~~. Ms. Brownlee stated the provisions of this bill would give paraprofessionals the financial encouragement to continue their education. (Attachment 6)

Craig Grant spoke in support of H.B. 2983 stating Kansas-NEA approves the concepts in the bill as a possible incentive for trained paraprofessionals to work in Kansas. (Attachment 7)

Bonnie Kramer testified in support of H.B. 2983. Ms. Kramer stated paras are professionals in their own right and want to attend college to improve their skills. She pointed out many are continuing their education without the mandate to do so. Ms. Kramer encouraged the committee to act favorably on H.B. 2983.

The chair declared hearings on H.B. 2983 closed.

The chairman called attention to H.B. 2682, an act concerning tuition grants and the period of eligibility affected.

Representative R. D. Miller moved H.B. 2682 be passed favorably. Seconded by Representative Bowden. Motion carried.

The chair drew attention to H.B. 2638, concerning professional practice incentive grants.

Representative Williams moved for favorable passage of H.B. 2638. Seconded by Representative R. D. Miller. Motion carried.

The meeting was adjourned by the chair at 4:40 p.m.

The next meeting will be Wednesday, March 2, 1988 at 3:30 p.m. in Room 519-S.



TO: Chairman and Members of the House Education Committee

FROM: Representative Rick Bowden

Thank you for the opportunity to appear today on HB 2876. Early last summer, I approached Representative Elaine Hassler about the possibility of working together to seek solutions to a persistent and growing problem affecting any family in Kansas that has a child desiring to attend college. That problem is how to save enough money to pay a child's college education costs. I believe later conferees will present figures on the magnitude of the dollar cost today's college students are facing when looking at college expenses.

Representative Hassler and I quickly agreed that the group we were most concerned about helping was the "middle class". We felt this was that group of Kansas Parents who were unable to simply sit down and write out a check to cover a semester's cost without severely affecting their personal or family resources; or they had just enough income and resources to disqualify them for many or any aid programs. These families are the ones, in many cases, that will have to go into substantial financial debt in order to provide for their child's college education.

Many other states are looking at ways to address the same problem or concern. From our research, we found that several general programs are being considered in other states. One is the guaranteed tuition plan, normally modeled after the Michigan Educational Trust (MET) Plan. Another plan gaining growing acceptance, involves the purchasing of educational bonds, as per the Illinois model. The third option is the educational savings concept. It is upon this third concept that HB 2876 is modeled.

The problem both Representative Hassler and I had difficulty addressing was "what do we use to encourage parents/family to save now for future educational costs"; i.e. what carrot can we use that is attractive enough that they are willing to bite. One, but certainly not the only carrot, is to provide these families some financial reason to save their dollars.

The following trends are identified in a report from the Council of State Governments' Midwestern Office.

1. The percentage of college age people electing to continue their education after high school is increasing.
2. Adult education, frequently offered by community colleges and smaller state colleges, appears as if it will become increasingly popular in the coming years.
3. College tuition continues to rise more rapidly than does inflation.
4. The decrease in the number of college age students will be accompanied by an increase in the percentage of those college age students attending college.
5. Colleges and the college educated student will become an even more important component in the high-technology jobs in our economy in the near future.
6. With colleges and universities playing an ever more important role in producing both jobs and training people for these jobs, government will need to find ways to help make accessible a post secondary education to Kansas residents.
7. College costs will continue to increase for a variety of reasons thus making the cost of education even more of a burden for college students and their families.

I want to be open and frank with the Committee. There may well be more questions than answers with respect to the savings plan proposal in this particular Bill. However, I would hope that you share with me the valid concern about how can we in Kansas deal with a real problem facing Kansas Families - meeting the soaring costs of secondary education. It would indeed be a tragedy for any person wanting to further his/her education to be denied the chance solely because they could not afford it. This is a proposal that encourages individuals to save for college now, anticipating the need in the future.

*Attachment 1  
House Education 3/1/88*



**Education Commission  
of the  
States**

**Headquarters Office**  
Suite 300  
1860 Lincoln Street  
Denver, Colorado 80295-0301  
303-830-3600

**Washington Office**  
248 Hall of the States  
444 N. Capitol Street, NW  
Washington, D.C. 20001-1572  
202-624-5838

**ECS OFFICERS  
1987-88**

**Chairman**  
Hon. John Ashcroft  
Governor  
Missouri

**Chairman Elect**  
Hon. Rudy Perpich  
Governor  
Minnesota

**Vice Chairman**  
Hon. Kay Patterson  
State Senator  
South Carolina

**Treasurer**  
Lynn O. Simons  
Superintendent of  
Public Instruction  
Wyoming

**President**  
Frank Newman

**Vice President**  
Patrick M. Callan

**ECS MEMORANDUM**

**DATE:** 9 December 1987

**TO:** All Concerned

**FROM:** Jennifer Afton

**RE:** Survey of State Proposals for Tuition Prepayment Plans and  
Incentive Plans for Saving for College

---

Enclosed is a state-by-state survey briefly outlining actions that each state has taken in regard to the above.

We realize that in some states the status of these actions may change rapidly. A survey being only a snapshot in time, some of this information may already need updating. If this is true for your state (or if you wish to add to or change anything) please contact either Dr. Aims McGuinness at (303) 830-3614 or myself at 830-3669.

10/26/87

**EDUCATION COMMISSION OF THE STATES  
SURVEY OF STATE PROPOSALS FOR TUITION PREPAYMENT PLANS  
AND INCENTIVE PLANS FOR SAVING FOR COLLEGE**

State	Level Of Interest	Type of Proposal				Other Proposals	Enacted Vetoed Underway	Study/Interim Committee	Comments
		Tuition Guarantee	Savings Program	Interim Studies	IRS Contingent				
AL	Low								Informal discussion.
AK	Low								
AZ	Low								Informal discussion.
AR	Low			X				Interim study planned to design legislation for 1989 session.	
<b>CA</b>	High	X	X				Tuition guarantee & savings bond plans both vetoed 10/87. Governor's reasons: 1) plan not tested, 2) is government responsible for providing a savings plan, especially with numerous private sector plans? 3) possible future unknown costs to state.		
CO	Low								Bill to study was dropped. No action at this time

State	Level Of Interest	Type of Proposal				Other Proposals	Enacted Vetoed Underway	Study/Interim Committee	Comments
		Tuition Guarantee	Savings Program	Interim Studies	IRS Contingent				
CT	Moderate			X				Tuition guarantee bill dropped in 1987 session. Interim group to study various alternatives.	
DE	Low			X				General assembly resolution asked sec. of finance to investigate issue & report back 1/88.	
FL	High	X			Yes <sup>1</sup>	Education reinvestment act to permit AFDC recipients to set aside 10% of welfare payments in trust for education of children	Enacted 7/1/87, "Florida Postsecondary Cost Stabilization Fund" or "Florida Pre-paid Postsecondary Education Expense Program". Includes 3 plans: 1) community college plan 2) university plan, & 3) dormitory residence plan. Fully implemented in 1988-89.		
GA	High	X	X	X			AFDC trust proposal passed senate. Carried over to 1988 session.	Alternatives for 1988 session being studied by regents & by house & senate committees	
HI	Low								
ID	Low								Proposals possible mid-January 1988 when new session begins.

State	Level Of Interest	Type of Proposal				Other Proposals	Enacted Vetoed Underway	Study/Interim Committee	Comments
		Tuition Guarantee	Savings Program	Interim Studies	IRS Contingent				
IL	High		X					Amendatory veto of savings bond plan by Governor. Governor expected to sign after certain language changes. Two savings plan bills & one pre-paid tuition plan were vetoed.	State general obligation bonds to be issued as zero coupon college savings bonds. Interest earnings exempt from fed/state income taxes. State to add .25% interest if used for Illinois public or private college.
IN	High	X			Yes <sup>1</sup>			Enacted tuition prepayment plan. Provides: 1) 4-year, 124 credit hour plan w/principle minus admin fee refund, 2) same but w/interest refund, 3) 2-year plan same as 1). Bill effective 7/1/87; trust board must report to gen. assembly on/before 1/1/88 & trust may contact w/purchasers after 6/30/88.	Contract between purchaser & trust only. State & university make no guarantees.
IA	Moderate	X							Resolution to study issue was drafted but not acted upon. Tuition prepayment proposals debated in 1987 session.
KS	Low		X						Associated Students of Kansas has proposed a tax-deferred savings plan for 1988 session. Unsuccessful candidate for governor in 1986 wanted to propose a tuition prepayment plan. No action in 1987.



State	Level Of Interest	Type of Proposal					Other Proposals	Enacted Vetoed Underway	Study/Interim Committee	Comments
		Tuition Guarantee	Savings Program	Interim Studies	IRS	Contingent				
KY	Moderate	X	X	X					Proposal was developed by staff of KY Higher Ed Assistance Authority, Council on Higher Ed, & Council of Independent KY Colleges & Universities, was adopted by their boards & presented to the interim joint committee on education for study & consideration.	
LA	Moderate	X		X					Interim study requested 6/87. Two senate & 2 house bills previously introduced but did not pass.	
ME	High	X					Yes <sup>1</sup>		Enacted 6/87, pre-payment plan, Student Education Deposit Plan (SEED). Room & board not included Board of directors for the plan not yet appointed.	State allows high school students to take college courses free of charge thus saving on tuition, fees, room & board & easing the transition into college.

State	Level Of Interest	Type of Proposal				Other Proposals	Enacted Vetoed Underway	Study/Interim Committee	Comments
		Tuition Guarantee	Savings Program	Interim Studies	IRS Contingent				
MD	Moderate			X				Legislative subcommittee issued report rejecting all plans except possibly a savings plan. Governor's task force will make the same recommendation late October/early November 1988. Considering private savings plans with state coupons attached.	
MA	High	X	X	X				At governor's request board of regent's committee is studying issue. Draft proposal for both savings bonds & tuition prepayment certificates. Independents could participate fully. Report should be in by mid-Fall 1987. Aiming at comprehensive plan that will include independent institutions; also possible regional reciprocal provisions.	
MI	High	X				Yes	Enacted 12/86, tuition prepayment plan		

State	Level Of Interest	Type of Proposal				Other Proposals	Enacted Vetoed Underway	Study/Interim Committee	Comments
		Tuition Guarantee	Savings Program	Interim Studies	IRS Contingent				
MN	High	X		X				Proposed bill laid over interim for study. Two studies underway. MN higher ed coordinating board studying overall issue & legislature studying overall issue & specific legislation. Possibility legislature won't accept anything in which the state has liability.	Bill was introduced but died in committee.
MS	Low	X							
MO	High	X	X	X				Savings & guaranteed tuition bills were actively debated in 1987 legislature. One bill would propose IRA type savings accounts for tuition only. Study by joint interim committee on access to higher ed underway.	
MT	Low								Studying pros & cons. Collecting information. Governor has expressed some interest. No action in 1987.
NE	Low								Waiting to see what other states are doing & how IRS rules.

State	Level Of Interest	Type of Proposal				Other Proposals	Enacted Vetoed Underway	Study/Interim Committee	Comments
		Tuition Guarantee	Savings Program	Interim Studies	IRS Contingent				
NV	Low							Board of Regents decided, after study, to postpone action until after IRS rules.	
NH	Low	X		X				Bill has been referred to interim committee which is currently studying it.	
NJ	High	X		X			Proposed senate bill passed; still waiting on assembly bill. Senate bill has provisions for participation by independent institutions; purchase of tuition by certificate; & that at least 90% of tuition will be paid to participating institutions.		
NM	Low							Bill proposed but it died. No further legislation proposed. May consider educating the public about the wisdom of saving. Concerns if prepayment plans require too much state involvement & are fiduciarily risky.	
<b>NY</b>	Moderate	X	X	X		Regents College Savings Fund proposal would establish individual education accounts similar to IRA's; includes matching funds for low income participants.		Senate research service completing study.	Several bills proposed and considered including prepayment plan.

State	Level Of Interest	Type of Proposal				Other Proposals	Enacted Vetoed Underway	Study/Interim Committee	Comments
		Tuition Guarantee	Savings Program	Interim Studies	IRS Contingent				
NC	High		X				Ratified 7/87: college savings bond plan. Bill authorizes sale of tax-free bonds in denominations small enough to help parents save for children's college education. Bonds will be marketed as ideal vehicle for educational savings.		
ND	Low			X				Study resolution passed but was not given priority. Currently on hold.	
OH	Low	X						Proposed bill in committee at end of session. Will be carried over to 1988 session. Attitude is "wait and see." Better to study issue than pass bills in haste.	
OK	High	X	X	X				Law passed to have state regents for higher ed study developing a program to create at least one trust fund for tuition & fee prepayment. IRA-type proposal also being considered. Includes matching state funds for low income families.	

State	Level Of Interest	Type of Proposal				Other Proposals	Enacted Vetoed Underway	Study/Interim Committee	Comments
		Tuition Guarantee	Savings Program	Interim Studies	IRS Contingent				
OR	Moderate	X		X				Bill proposed & waiting for further study. May be interim studies on the issue in 11/87.	
PA	Moderate	X	X	X				Combines educational IRA with a guarantee plan. Committee continues to study the bill & recommendations.	
RI	High	X	X	X				Bill passed to establish commission to study issue; findings to be reported by 11/16/87. Growing interest in college savings bond approach.	
SC	Moderate	X						Bill did not get out of committee. Interim study of the issue.	
SD	Low								
TN	High	X			Yes <sup>1</sup>		Enacted 5/87; tuition prepayment plan. Will be implemented when IRS rules favorably. Scheduled for 7/88.		

State	Level Of Interest	Type of Proposal				Other Proposals	Enacted Vetoed Underway	Study/Interim Committee	Comments
		Tuition Guarantee	Savings Program	Interim Studies	IRS Contingent				
TX	Low	X		X				Bill proposed but tabled due to tax financial considerations. Interim study has been requested.	
UT	Moderate	X				Utah has produced a brochure entitled "Your Child's College Education, Invest in in Tomorrow. . .Today," that they disseminate in hospitals, day care centers, etc. Hope to encourage parents to save.			Board of regents was planning study of prepayment plans; study did not get priority. Bill reflecting tuition guarantee idea to be drafted for 1988 session.
VT	Moderate	X	X	X					Bill proposed but held over until 1/88. Committee studying state & federal alternatives & options. Should have results by mid-November.
VA	Low		X	X		Joint resolution for tax incentive savings plans for college ed was introduced 1/87 but failed. Bill will most likely be proposed in 1988.		State Council of higher ed involved in comprehensive study of higher ed finance. Study will include tuition prepayment plans. Will probably stay with the tuition savings bond approach rather than prepaid tuition.	

State	Level Of Interest	Type of Proposal				Other Proposals	Enacted Vetoed Underway	Study/Interim Committee	Comments
		Tuition Guarantee	Savings Program	Interim Studies	IRS Contingent				
WA	Moderate	X		X		Bill proposed but tabled until next year.		State higher ed loan authority studying options for savings incentive plans Interim study by the standing committee on higher ed will be presented to legislature when it reconvenes.	
WV	High	X				Bill passed House & Senate. Was vetoed by Governor in 6/87. May be re-introduced next session.			
WI	Moderate							University regents tasked with preparing a study & legislative language by 11/88.	Primary concerns include fiscal and administrative problems.
WY	High	X			No	Enacted 2/87, contracts being accepted. Provides for advance payment of resident & non-resident tuition as well as room & board.			

Conducted by Aims C. McGuinness, Jr., Assistant Executive Director for Higher Education, and Jennifer Afton, Research Assistant, Education Commission of the States, 1860 Lincoln Street, Suite 300, Denver, CO 80295, 303-830-3600. Information gathered through telephone interviews with legislative staff in 50 states. This survey will be updated periodically. Some of the information may already be out-of-date.

<sup>1</sup>The Michigan statute states explicitly that the trust cannot enter into contracts until a favorable IRS ruling is received. Other state statutes say that the board must solicit answers to appropriate ruling requests from the IRS and must make the status of those requests known before entering into a contract.



## ILLINOIS

Title: Baccalaureate Savings Act, Public Act 85-0939

Type: Education Savings Bonds

Status:

- Certified December 1987
- Bonds were issued January 11, 1988
- Interest is state and local income tax free

Description: General obligation bonds that are designated, marketed and sold as General Obligation College Savings Bonds. Funds from these bonds may be used anywhere for anything, even for non-educational purposes.

Eligibility and Residency: Anyone may purchase — anyone may use.

Price: Denominations range from \$935 to \$3,500 each, with maturity occurring in 5-20 years.

Room and Board? Yes, since proceeds may be used for anything.

Incentives:

- Denominations are smaller than regular general obligation bonds.
- Bonus paid if proceeds are used for tuition at in-state institutions of higher education.
- Up to \$25,000 in proceeds will be exempt from being factored into state financial aid formulas
- Income tax exemptions

Financial Aid Considerations: See Incentives, above

Whose Risk? Primarily the purchaser's.

Portability: Complete portability

Military Time Served: Not applicable since proceeds may be used anytime after maturity.

Termination and Refunds: N/A

Transferability/Substitutions: N/A

Administrative: The Baccalaureate Trust Authority advises both the Director of the Bureau of the Budget and the Governor on all aspects of the bonds. Issuance of the bonds is directed by the Governor upon recommendation by the Director of the Bureau of Budget.

Other:

An important aspect of this program is the educational and marketing effort required to inform parents about the options available for financing a higher education and the need to save in advance.

The Illinois Board of Higher Education, with the assistance of the Illinois State Scholarship Commission is tasked with this, and will report on their program and progress before April 30, 1988.

Over \$90 million in college savings bonds were sold on January 11 and 12, 1988.

## MICHIGAN

Title: Michigan Education Trust Act; also known as the Michigan Baccalaureate Education Student Trust (BEST), Public Act No. 316, Enrolled H.B. No 5505.

Type: Tuition Guarantee. This is the model for most other tuition guarantee plans.

Status:

- Approved December 1986
- Act will be repealed on January 1, 1989, if no contracts have been entered into by that time.
- No contracts will be entered into until the IRS allows interest to be tax exempt. If an unfavorable ruling is made, the board will present alternative recommendations to the legislature.
- Purchase price is state income tax exempt. Interest is state and local tax exempt.

Description: Two plans are offered:

Plan A: The purchaser is entitled to a refund of the original investment minus administrative costs.

Plan B: The purchaser is entitled to a refund of the original investment minus administrative costs plus interest earnings.

Both plans are good for guaranteed tuition at state institutions of higher education leading to a baccalaureate degree. However, a qualified beneficiary may also choose to attend a junior or community college first, or may ask for an appropriate refund after graduating from a 2-year state school.

Eligibility and Residency:

- Michigan residents may purchase the plan.
- A qualified beneficiary must be a state resident.

Price:

- Price is estimated to be between \$3,000 and \$8,000, depending upon the child's age at time of purchase and payment method.

Room and Board? No

Incentives:

- Guaranteed tuition.
- State and local tax incentives on interest and purchase price.
- Relatively low purchase price.

Financial Aid Considerations: Not addressed by this bill.

Whose Risk? Primarily the state's

Portability:

- A refund may be paid directly to an independent degree-granting institution in Michigan. The amount will not be less than the prevailing weighted average tuition cost at a state institution for the number of credit hours covered by the contract on the date of termination.

## MICHIGAN con't

- No portability over state lines

Military Time Served: Not addressed in this bill.

### Termination and Refunds:

Termination occurs when benefits have not been used within the time specified on the contract, and no other arrangements have been made. If neither the purchaser nor the qualified beneficiary nor their agents can be found after reasonable effort, the trust may retain that which would have been refunded.

Contracts may be terminated (with refund according to either Plan A or Plan B) when the qualified beneficiary: 1) dies; 2) is not admitted to a state institution of higher education; 3) certifies that he or she has been accepted by and will attend a Michigan independent degree-granting institution; 4) certifies that he or she has decided not to attend a state institution of higher education; or 5) if other circumstances occur, as determined by the trust or by contract.

### Transferability/Substitutions:

- Purchasers or qualified beneficiaries may neither sell nor transfer their contracts to another without prior approval.
- Substitution, however, is permitted.

### Administrative:

The trust is within the Department of Treasury, but functions independently of the State Treasurer. It is governed by a Board of Directors.

The Board may contract out for services necessary to manage and operate the trust.

Trust funds are not be be considered state monies, but they may be pooled with state assets for investment purposes.

Annual accounting, audits, and evaluations for actuarial soundness are required.

### Other:

This law empowers the trust to study the feasibility of instituting prepayment plans between private sector investment managers, state institutions of higher education, and independent degree-granting schools.

The trust is also asked to study prepayment plans for junior and community colleges.

## TENNESSEE

Title: Tennessee Baccalaureate Education System Trust Act, HB No. 618, Public Chapter No. 281

Type: Tuition Guarantee — Michigan Model

Status:

- Approved May 1987
- Contracts may not be entered into before July 1, 1988
- Trust income is state and local tax exempt.
- Status of IRS ruling requests must be made known by the board before entering into contracts.

Description: This law states simply that contracts for prepaid guaranteed tuition entered into between purchasers and the trust are good at any state institution of higher education which is defined as a "college or university established in Tennessee Code Annotated. . . or any institution of the University of Tennessee."

Eligibility and Residency:

- Purchaser's residency is not addressed in this bill.
- Qualified beneficiary must be a state resident.

Price: Not addressed in this bill.

Room and Board? No

Incentives:

- Guaranteed tuition
- State and local tax exemptions.

Financial Aid Considerations: Not addressed in this bill.

Whose Risk? Primarily the state's.

Portability: Not addressed in this bill.

Military Time Served: Not addressed in this bill.

Termination and Refunds: Not addressed in this bill.

Transferability/Substitutions.

- Contracts may not be sold or transferred without board approval.
- Substitutions are not addressed in this bill.

Administrative:

The trust will operate within the state treasury and will be administered by the state treasurer. It will be governed by the board of trustees.

The Tennessee Student Assistance Corporation will provide staff support to the board and the program.

The board will set investment policy.

ELAINE R. HASSLER  
REPRESENTATIVE, SIXTY-EIGHTH DISTRICT  
DICKINSON AND MORRIS COUNTIES  
ROUTE 2  
ABILENE, KANSAS 67410



TOPEKA

HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
VICE CHAIRMAN PUBLIC HEALTH AND WELFARE  
MEMBER EDUCATION GOVERNMENTAL ORGANIZATION  
CHAIRMAN KANSAS DAY CARE COMMITTEE  
MEMBER ADVISORY COMMITTEE FOR CHILDREN AND YOUTH

HOUSE EDUCATION COMMITTEE  
HB 2876  
Educational Savings Plan Trust

March 1, 1988

Seven members of Board of Directors appointed by Governor for four year terms. Board of Regents, Department of Education, independent colleges, ASK, KPERS, two public members.

Investments

- participant agreement for specific amount and specific period of time for anyone from birth to age of 15 years
- can be paid in a lump sum or in installments

Types of Agreements

Program Fund

A - other than educational

B - educational expenses

Endowment Fund - gifts and grants

Vested after two years.

Then could cancel agreement and receive money invested plus interest minus an administrative fee.

Payment of agreement made in first fall semester after 18th birthday to designated two or four year school in Kansas.

Participant may cancel with no penalty fee if:

- 1) beneficiary dies
- 2) beneficiary fails to be admitted to institution of higher learning
- 3) mental or physical disability

The Kansas savings plan trust shall not make a participant ineligible for student aid, loans, or grants.

Contributions made to the endowment fund and Type B accounts shall not be subject to Kansas income tax.

*Attachment 2  
House Education 3/1/88*



# ASSOCIATED STUDENTS OF KANSAS

*The Student Governments of the State Universities*

Suite 608 • Capitol Towers • 400 S.W. 8th St. • Topeka, Ks. 66603 • (913) 354-1394

Christine A. Graves  
Executive Director

Mark E. Tallman  
Director of Legislative Affairs  
and Development

TO: House Committee on Education  
FROM: Mark Tallman, Legislative Director  
DATE: March 1, 1988

RE: HB 2876 - Kansas Educational Savings Plan Trust

## Position

ASK supports the concept of HB 2876.

## Background

In the past several years, one of the most talked-about issues by state higher education policy-makers has been encouraging families to save for college. This interest has been prompted by rapid increases in tuition across the nation, and growing concern by parents on how to meet those college costs. Because this trend is also true in Kansas, ASK has prepared a report on this issue and initiatives in other states. That report accompanies this statement.

In the report, we identify four major approaches to college savings programs. The first, Prepaid Tuition, was also the first kind of program to be adopted by any state. Such plans have been approved by Florida, Indiana, Maine, Michigan, Tennessee and Wyoming.

The second approach, publicly-administered Education Trust Accounts, is the subject of the bill before you today.

The third approach, private-sector Individual Education Accounts, is encompassed in another bill introduced by Representatives Bowden and Hassler, HB 2877, which received a hearing this morning in the Tax Committee.

The fourth approach, zero-coupon education savings bonds, may be introduced in the Senate.

It is our hope that the Legislature will favorably consider one or more of these approaches, or at least request an interim study of their relative merits.

Why is this issue important to Kansas?

### MEMBERS:

Associated Student Government  
Emporia State University  
Memorial Union  
Emporia, Kansas 66801  
316-343-1200 ext. 5494

Student Government Association  
Fort Hays State University  
Memorial Union  
Hays, Kansas 67601  
913-628-5311

Student Governing Association  
Kansas State University  
Student Union  
Manhattan, Kansas 66506  
913-532-6541

Student Government Association  
Pittsburg State University  
Student Union  
Pittsburg, Kansas 66762  
316-231-7000 ext. 4813

Student Senate  
University of Kansas  
Burge Union  
Lawrence, Kansas 66045  
913-864-3710

Student Government Association  
The Wichita State University  
Campus Activities Center  
Wichita, Kansas 67208  
316-689-3480

*Attachment 3  
House Education 3/1/88*

## REASONS TO SUPPORT COLLEGE SAVINGS PROGRAMS

1. Costs of attending the state universities, especially tuition, have exceeded inflation in recent years, as the first chart on the following page shows. Although "tuition inflation" has slowed in the past year or two, the Regents' Margin of Excellence program relies to a significant degree on tuition for its financing, and higher tuition is projected for the next several years.

2. "Traditional" financial aid programs are not keeping up with college costs. The second chart on the following page compares increases in full-time, resident tuition at the state universities with average per student awards in the major federal student aid programs. (These are national averages; we are currently compiling this data for the state universities.)

The chart on the next page shows when and how college costs can be paid, as well as problems associated with each area. Because the factors that limit the means to pay "during" college (i.e. federal and state budget constraints and low minimum wages) are unlikely to change significantly; and because excessive borrowing to pay "after" college is considered undesirable by both many individuals and economists, prior savings is one of the few alternatives.

3. Few incentives currently exist to encourage and assist families in saving for college. Of course, the savings rate in general has fallen in this country. Many families do not know how much college costs really are, or how much they will be at any point in the future. There are no special tax benefits for college savings, unlike retirement, for example. Finally, low- to middle-income families may be unsophisticated about investments, and rely on passbook accounts that do not keep pace with college costs.

## ADVANTAGES OF HB 2876 FOR COLLEGE SAVINGS

1. It creates a state-authorized trust that would provide a single, statewide, widely-known vehicle for educational saving. We believe Kansans would have great confidence and willingness to participate in such a program.

2. It would pool contributions by individuals under professional management, which would likely result in better returns than they could gain on their own.

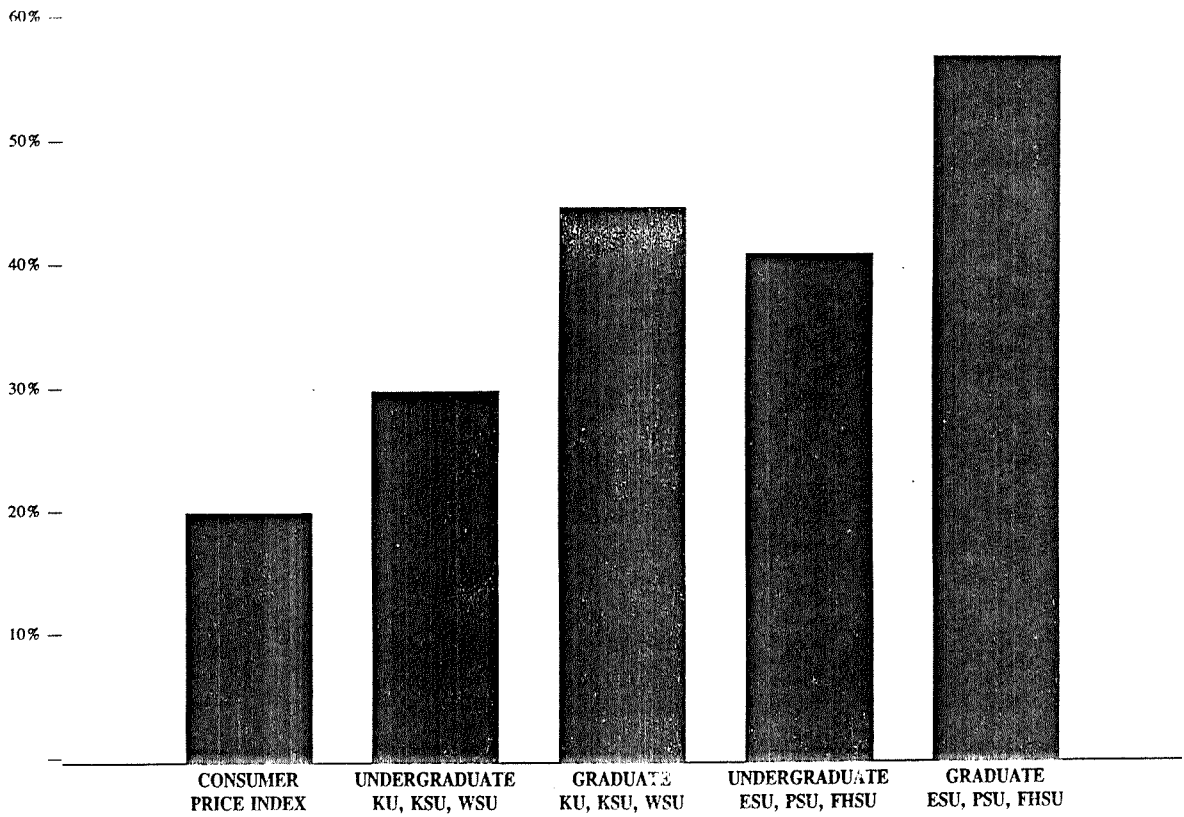
3. It provides two options for contributors. Withdrawals from Type A accounts would be permitted for any purpose, at any time. This would allow flexibility if the contributing family's education plans change. Withdrawals from Type B accounts could only be used for educational costs. These accounts could be used for gifts, scholarships or payroll contributions that are specified for college expenses only.

4. The bill also creates an endowment fund. Earnings from this fund would supplement Type B accounts if the individual attends college in-state, providing an additional incentive to remain in Kansas.

5. Through "participation agreements" the trust would assist families in developing reasonable plans to meet educational goals.

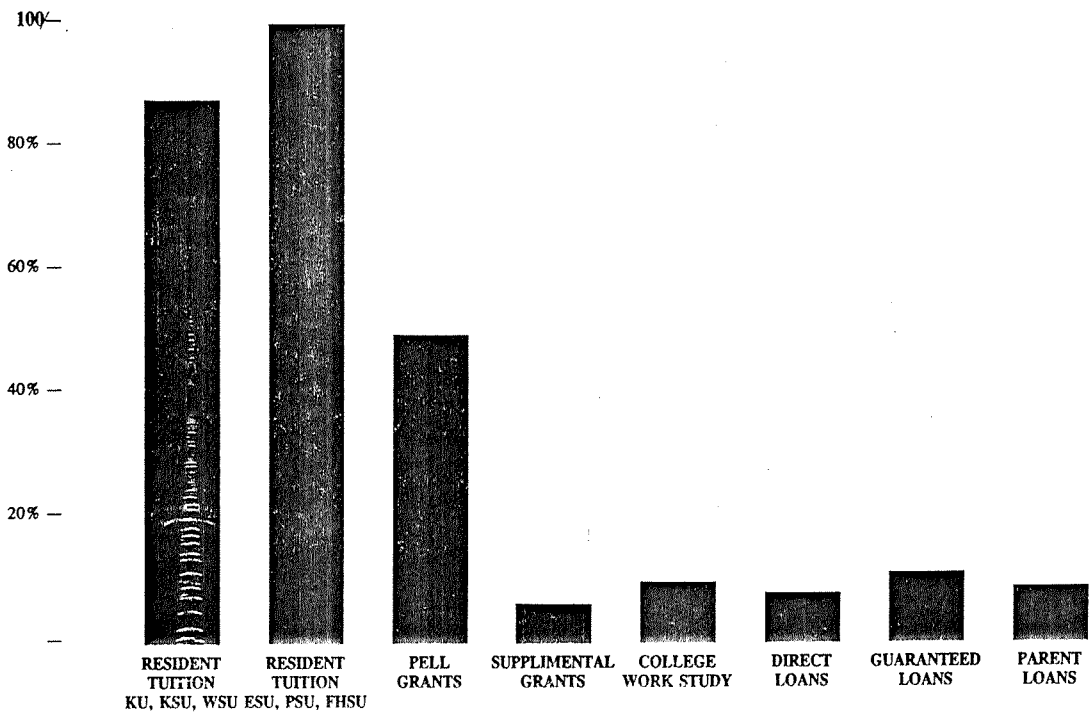


# RIISING COSTS: RESIDENT TUITION INCREASE, FY 83 - FY 8<sup>o</sup> COMPARED TO CONSUMER PRICE INDEX INCREASE



Source: Kansas Board of Regents

# NOT KEEPING UP: INCREASE IN AVERAGE PER STUDENT AWARDS IN FEDERAL STUDENT AID PROGRAMS, COMPARED TO RESIDENT TUITION INCREASES, FY81-FY87



Source: Kansas Board of Regents, College Board Survey

WHEN AND HOW A COLLEGE EDUCATION IS PAID FOR

<u>When</u>	<u>How</u>	<u>Problems</u>
Before:	Personnel Wealth	Limited to the wealthy
	Savings	Lack of incentives and understanding Need to keep up with tuition
During:	Scholarships	Not widely available
	Grants	Funding hasn't kept up with costs
	Jobs	Funding hasn't kept up with costs Wages haven't kept up with costs
After:	Loans	Concerns over excessive borrowing Repayment difficult in low salary professions

6. The program would offer benefits to all income levels, but would be especially attractive to lower- and middle-income families, who may need more help in reaching their goals.

7. The program would be open to students who wish to attend any type of postsecondary program.

8. The program would assist both families saving for their children and individuals savings for their own continuing education.

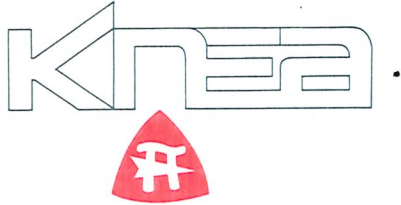
9. After an initial start-up period, the programs should be self-funded through its earnings.

### Conclusion

A college education has become an important goal for many Kansans. Last week, many individuals spoke eloquently about what college can mean for individual opportunity. Views may differ on the question of open admission, but admission is meaningless to those who cannot afford to bill.

This program retains a major responsibility in paying for college with families and individuals. But by adopting this bill, the state would assist them in meeting those responsibilities.

Thank you for your consideration.

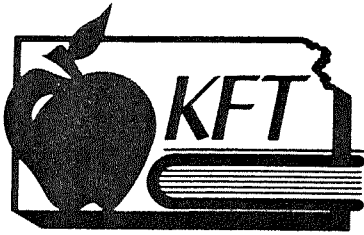


Craig Grant Testimony Before The  
House Education Committee  
Tuesday, March 1, 1988

Thank you, Madame Chairman. I am Craig Grant and I represent Kansas-NEA. I appreciate this chance to visit briefly about HB 2876.

I will not speak to the mechanics in the bill which establish the savings plan trust. I am not a scholarship nor a trust expert, so cannot speak to that portion. I would speak to the concept of establishing a savings plan so that parents could save for their childrens' college education. Many of our members are quite interested in this type of program so they can plan ahead for college costs.

With the ever-increasing cost of a college education in mind, HB 2876 would provide a convenient and economical way for Kansans to save for the future. Kansas-NEA would ask that you report HB 2876 favorably for passage. Thank you for listening to the concerns of our 22,000 members.



5

**KANSAS FEDERATION OF TEACHERS**  
310 West Central/Suite 110 • Wichita, KS 67202 • (316) 262-5171

TESTIMONY IN SUPPORT OF HOUSE BILL NO. 2983

James E. Copple, Director  
Kansas Federation of Teachers

March 1, 1988

Madame Chairman, members of the House Education Committee, we appreciate the opportunity of visiting with you in reference to House Bill No. 2983. Paraprofessionals remain a vital part of the education mission of our schools. The more than three thousand paraprofessionals that contribute to the welfare and education of our children are often overlooked in their training and in the resources we provide. The State Department of Education, with limited resources has done a commendable, if not excellent job in making the paraprofessional feel a part of the educational experience of the state. The Kansas Federation of Teachers believes, however, that we need to provide additional resources for the training of the paraprofessional. Many districts and their teachers underestimate the value of the para in the classroom. When you visit with paras, you soon discover that many administrators, teachers and boards of education take for granted the contribution paras make to our schools. Many districts provide resources for training, others do not. The state mandates 20 hours of inservice for the special education para. This inservice takes on a variety of forms. There is little consistency in the delivery of this inservice. There is little consistency in the resources we provide throughout the state. House Bill No. 2983 seeks to address one area of concern - the education of the paraprofessional who is seeking to apply their education to the classroom they serve.

House Bill No. 2983 is modeled in many ways after the loan incentive grants for teachers, explored by both this committee and the LEPC. House Bill No. 2983 would provide tuition waivers for paraprofessionals in exchange for service to a specific district. The grants would not exceed \$500 and the paraprofessionals would be required to repay the grant if they failed to commit two years of service to the district. There are the usual



*Attachment 5  
House Education 3/1/88*

deferments for military or religious service. Medical leave and disability would also defer repayment of the loan.

We have interviewed paraprofessionals in Wichita, Garden City, Liberal, Topeka and paras affiliated with three special education cooperatives. Each expressed enthusiasm for what this bill would do for them professionally. They see this program as an incentive for professional development and they see it as a major step in enabling them to make a richer contribution to the classroom. Offering \$500 tuition waivers in exchange for two years of service to a district is a minimal contribution. Other states and areas do this and more. Kansas City paraprofessionals who have worked at least three years for the district are eligible for one-year study leaves. Paras who take the leave can't be demoted, and they don't lose their seniority. The state of Louisiana is preparing to implement a state-wide tuition incentive program for paraprofessionals throughout the state. These are only two examples of incentive programs being implemented throughout the country.

These issues are difficult to negotiate in the meet-and-confer process in Kansas. As you know, paraprofessionals come under the Public Employment Relations Act. Each school board determines whether or not they will come under this law. Therefore, there is little incentive for many boards to provide additional educational incentives for their paras. In the absence of local incentives, the Kansas Federation of Teachers believes the state should establish educational grants.

We encourage a favorable reading of House Bill No. 2983 and believe it is a major step forward in providing valuable educational assistance to a valuable employee group within our schools.

6

TESTIMONY IN SUPPORT OF HOUSE BILL NO. 2983  
Sue Brownlee, President  
Garden City Federation of Paraprofessionals

March 1, 1988

Madame Chairman, members of the House Education Committee, my name is Sue Brownlee, and I am the President of the Garden City Federation of Paraprofessionals. GCFP represents 90 percent of the paraprofessionals, bilingual and teacher aides in Finney County. The school related personnel of Garden City have affiliated with the Kansas Federation of Teachers so that we can acquire basic membership privileges such as liability insurance, access to national publications and a means for continuing education.

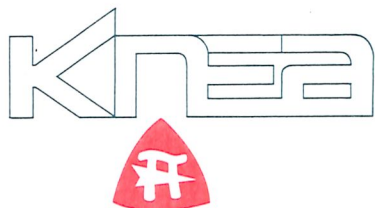
The idea for House Bill No. 2983 was born in Garden City when a number of our members expressed to the legislative committee of the Kansas Federation of Teachers our desire and need for advanced training in our field. To be sure, many districts provide inservice that enable us to fulfill our basic responsibilities. But for most of us, being a paraprofessional in a special education classroom has become more than a job - it is more than a responsibility. We have made a commitment to our community and we have made a commitment to our cooperating teachers. We want to assist in the important job of enabling children so that they can reach their full potential.

The average paraprofessional in Garden City makes less than \$6,000 a year. We work 35 hours a week. Every hour over 35 is essentially donated. Many of us enroll in courses in developmental psychology, physical therapy and music so that we can acquire skills to use in our classroom. We are more than babysitters or lunch room attendants. To illustrate the importance of this legislation, let me tell you of an experience I had last week. I work with behaviorally disordered children. I was called to a regular classroom to help remove one of our BD children who was acting out in the classroom. When I arrived, the child threw a chair at me. I handled the situation as calmly as I could. As I have thought about that situation in light of this legislation, I wish I could afford to take a course that would give me a greater understanding of these children. Without the help of legislation like the one before you today, courses like behavioral psychology will remain a dream.

*Attachment 6  
House Education 3/1/88*

House Bill No. 2983 would give us an the financial encouragement to continue our education. Most of us cannot afford to enroll in classes. Returning two years of service to the district poses no difficulty for someone like me. I have been in the district for nine years. I do this job because I like children. I can be more effective at my job, if I had advanced training. The membership of the Garden City Federation of Paraprofessionals hopes you will support this legislation.





Craig Grant Testimony Before The  
House Education Committee  
Tuesday, March 1, 1988

Thank you, Madame Chairman. I am Craig Grant and I represent Kansas-NEA. I appreciate the chance to visit with you in support of HB 2983.

HB 2983 is similar in concept to the loan program for teachers which was considered in an earlier bill. The loan would be forgiven if the person worked in Kansas for a specified period of time. Kansas-NEA supports the concepts in HB 2983 as a possible incentive for trained paraprofessionals to work in Kansas. We do not, as we did not on the earlier bill, wish to convey that this incentive program will solve the answer to our shortage of trained paraprofessionals. This bill will not replace the necessity of paying paraprofessionals a living wage including fringe benefits so that a person could choose this profession and afford to stay in it.

Kansas-NEA certainly supports HB 2983 as a small step to improve our supply of trained paraprofessionals. Thank you for listening to the concerns of our 22,000 members.