

MINUTES OF THE HOUSE COMMITTEE ON EDUCATION.

The meeting was called to order by Chairperson Ralph Tanner at 9:00 a.m. on January 27, 1999 in Room 313-S of the Capitol.

All members were present except:

Representative Henry Helgersen - Excused

Committee staff present:

Ben Barrett, Legislative Research department
Carolyn Rampey, Legislative Research Department
Avis Swartzman, Revisor of Statutes
Renae Jefferies, Revisor of Statutes

Conferees appearing before the committee:

Tim Shallenburger, State Treasurer

Others attending: See attached list

The Joint House and Senate Education Committees, chaired by Representative Ralph Tanner and Senator Barbara Lawrence, met for a presentation by Tim Shallenburger, State Treasurer, on a college savings plan in Kansas.

The Chairman recognized Representative Lloyd Stone for a bill to be introduced that has to do with the equalizing State Aid bond interest payments. Representative Cindy Hermes made a motion to have the request introduced as a committee bill. Representative Deena Horst seconded the motion. The motion carried.

The Chairman introduced Tim Shallenburger, State Treasurer, whose office was directed to conduct a feasibility study implementing a college savings plan in Kansas. The Legislation directs the State Treasurer to report to the House and Senate Education committees during the 1999 Legislative Session. To conduct the study, State Treasurer Clyde Graeber appointed a ten-member task force consisting of representatives of public and private higher education institutions, teachers, students, bankers, the Governor, the State Department of Revenue and the State Treasurer's office.

The Task force report noted that a key underpinning of any successful college savings plan would be making full use of the federal tax code to achieve the most favorable tax treatment for the plan beneficiaries. The federal requirements for a qualified college savings plan are as follows:

- contributions must be in cash
- neither the contributor, nor the beneficiary may exercise any investment control over the plan account
- a separate accounting should be required for each designated beneficiary
- a specific beneficiary must be named when the account is established
- the transfer of funds to another account, or a change of beneficiary to an immediate family member as defined for Internal Revenue code purposes
- more than a *de minimus* penalty should be required on earnings withdrawn not used for qualified educational expenses unless the disbursement is on account of death or disability, or is made on account of a scholarship awarded the beneficiary to the extent that the sum does not exceed the scholarship amount used for qualified educational expenses
- the account interest may not be used to secure a loan
- the plan should contain safeguards to prevent accumulating contributions more than necessary to cover the beneficiary's qualified educational expenses.

In addition to this Task Force, the Legislative Budget Committee studied the issue and make the following recommendations:

- the savings plan should be applicable to any post-secondary institution in or outside Kansas that meets federal student aid eligibility guidelines, *i.e.*, public and private two and four-year institutions, vocational schools, and accredited not-for-profit schools
- the savings plan should be exempt from federal and Kansas taxes
- the State Treasurer's office should be authorized to receive, administer, invest, disperse and dispose of funds credited to higher education savings accounts.

Based on information from other states that have education savings plans. estimates provided by Mr. Graeber indicate that, for the first three years following the implementation of a plan, accounts will be established for fewer than one percent of the children in Kansas who are under age 18. The State Department of Revenue estimates that the impact on the State General Fund of exempting savings accounts from Kansas taxation would be approximately \$6.4 million, based on the assumption that savings accounts in the range of \$4,000 to \$8,000 would be established for one percent of children under 18. (Attachment 1)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON EDUCATION, Room 313-S Statehouse, at 9:00 a.m. on January 27, 1999.

The meeting was opened for comments and questions.

Chairman's Tanner and Lawrence announced that they would appoint a Task Force to continue working on this proposition.

Representative Mason requested introduction of three bills. The first bill has to do with home rule for local school board authorization. Representative Mason made a motion to be introduced as a committee bill. Representative O'Connor seconded the motion. The motion carried. The second bill has to do with the due process issue and moved to have this bill introduced as a committee bill. Representative O'Connor seconded the motion. The motion carried. Representative Wells was recorded as voting no. The third introduction has to do with a resolution for a study only of school district boundaries. Representative Mason made a motion for this study. Representative Ballou seconded the motion. The motion carried.

Mark Desetti appeared before the committee to request a bill introduction for peer assistance and review. (Attachment 2) Representative Storm made a motion to accept the bill. Representative Showalter seconded the motion. The motion carried.

The next meeting is scheduled for January 28, 1999.

The meeting was adjourned at 10:07 a.m.

Joint Meeting of the Senate and House Education Committees

Let me first say what an honor it is to appear before you today. This is my first appearance before any legislative committee other than when I served in the Legislature, and I hasten to add you may never find another conferee that appreciates and respects the work you do more than I.

As you know, interest in programs to help parents and others prepare for the college expenses of their children prompted the 1998 Legislature to enact S.B. 402, which directs the State Treasurer to conduct a feasibility study implementing a college savings plan in Kansas. The Legislation directs the State Treasurer to report to the House and Senate Education committees during the 1999 session. To conduct the study, State Treasurer Clyde Graeber appointed a ten-member task force consisting of representatives of public and private higher education institutions, teachers, students, bankers, the Governor, the State Department of Revenue and the State Treasurer's office.

Due to the concerns raised by members of the Legislature and the academic community regarding the level of the financial commitment occasioned by prepaid college savings plans which guarantee future educational costs, the Task Force focused its inquiry on college savings account plans.

The Task force report noted that a key underpinning of any successful college savings plan would be making full use of the federal tax code to achieve the most favorable tax treatment for the plan beneficiaries. At the current time, this requires that a plan achieve "qualified status" which defers the federal tax owed until the funds are disbursed for educational purposes. The disbursements are then treated by the International Revenue Service as the beneficiary's assets,

and a lower tax rate is applied. The federal requirements for a qualified college savings plan are as follows:

- contributions must be in cash;
- neither the contributor, nor the beneficiary may exercise any investment control over the plan account;
- a separate accounting should be required for each designated beneficiary;
- a specific beneficiary must be named when the account is established;
- the transfer of funds to another account, or a change of beneficiary is an immediate family member as defined for Internal Revenue code purposes;
- more than a *de minimus* penalty should be required on earnings withdrawn not used for qualified educational expenses unless the disbursement is on account of death or disability, or is made on account of a scholarship awarded the beneficiary to the extent that the sum does not exceed the scholarship amount used for qualified educational expenses;
- the account interest may not be used to secure a loan; and
- the plan should contain safeguards to prevent accumulating contributions more than necessary to cover the beneficiary's qualified educational expenses.

In addition to this Task Force, the Legislative Budget Committee studied the issue and made the following recommendations:

- the savings plan should be applicable to any post-secondary institution in or outside Kansas that meets federal student aid eligibility guidelines, *i.e.*, public and private two and four-year institutions, vocational schools, and accredited not-for-profit schools;
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- the State Treasurer's office should be authorized to receive, administer, invest, disperse and dispose of funds credited to higher education savings accounts.

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plan, accounts will be established for fewer than 1 percent of the children in Kansas who are under age 18. The State Department of Revenue estimates that the impact on the State General Fund of exempting savings accounts from Kansas taxation would be approximately \$6.4 million, based on the assumption that savings accounts in the range of \$4,000 to \$8,000 would be established for 1 percent of children under 18.

Peer Assistance Peer Assistance and Review

\$250,000 is set aside for planning grants of no more than \$50,000 each.

Purpose:

Peer assistance/peer assistance and review programs are intended to:

- a) improve professional practice,
- b) retain promising teachers, and
- c) build professional knowledge to improve student success.

Definitions:

- **Peer Assistance** is confidential formative assistance and support provided by colleagues informally and in defined assistance structures.
- **Peer Assistance and Review** is a program that combines peer assistance as defined above with a peer review (summative evaluation) function for new teachers and/or experienced teachers experiencing substantial difficulties with their teaching. The primary purpose of such programs is to assist the individual in question in a manner that leads to improved practice and retention by the school district.

Applications for planning grants shall include:

1. A statement of joint commitment signed by official representatives of both the local Board of Education and the professional employees organization that is designated or selected for the purposes of professional negotiations.
2. Evidence of a positive relationship between the School District and the professional employees organization.
3. An outline of proposed work tasks to include such things as:
 - a) training for all participants,
 - b) selection criteria for assisting teachers,
 - c) the interaction between the peer assistance system and the current teacher evaluation system,
 - d) the target audience of any such system; i.e. new teachers, veteran teachers, teachers experiencing substantial difficulties.
4. A proposed budget.

In evaluating and selecting grant proposals for funding, the Kansas State Department of Education shall use representatives of school districts, statewide teachers organizations, and the legislature.