

Approved: _____
Date

MINUTES OF THE HOUSE COMMITTEE ON EDUCATION.

The meeting was called to order by Chairperson Representative Ralph Tanner at 9:00 a.m. on January 25, 2000 in Room 313-S of the Capitol.

All members were present except: A quorum was present.

Committee staff present: Avis Swartzman, Revisor of Statutes
Ben Barrett, Legislative Research Department
Carolyn Rampey, Legislative Research Department
Renae Jefferies, Revisor of Statutes

Conferees appearing before the committee: Representative Jerry Henry
Kenneth Clouse, Dir. NE Kansas Area Technical School
Linda Henry, Coordinator of Special Programs, NEKATS
Tim Shallenburger, Kansas State Treasurer
Bill Bates, Vice President, American Century Investments

Others attending: See Attached List

Hearings on **HB 2622 - Establishment of the Northeast Kansas Technology College** were opened.

Representative Jerry Henry appeared before the committee as sponsor of the bill. He introduced Kenneth Clouse, Director of the Northeast Kansas Area Technical School (NEKATS) and Linda Henry, Coordinator of Special Programs, NEKATS, who appeared as a proponents of the bill. They explained that, since more and more students in Kansas desire to obtain a college degree in technical fields, the elevation of the Northeast Kansas Area Technical School to college status would enable them to offer current and future students a curriculum that more closely meets their needs.

Hearings on **HB 2622** were closed.

Representative John Ballou moved to place **HB 2622** on the Consent Calendar. Representative Morrison seconded the motion. The motion carried.

Hearings on **HB 2655 - Kansas postsecondary educational savings program** were opened.

State Treasurer Tim Shallenburger appeared before the committee as a proponent of **HB 2655**. Mr. Shallenburger handed out a list of proposed changes to the bill and explained each one. (Attachment 1) Mr. Shallenburger then introduced Bill Bates, Vice President-Governmental Affairs, American Century Investments. Mr. Bates presented testimony in favor of **HB 2655**. (Attachment 2)

Hearings on **HB 2655** were closed.

Representative Tanner announced the appointment of a Sub-Committee to study charter schools. Members of the sub-committee are: Representative Bethell, Chair, Representative Faber, Representative Lloyd, Representative Showalter, and Representative Thimesch.

The meeting was adjourned at 10:50.

HOUSE EDUCATION COMMITTEE

GUEST LIST

DATE: January 25

NAME	REPRESENTING
Steve Kearney	KS AREA SCHOOLS FEED CONCERN
Amy Metzinger	Intern
John Refeison	Schools for Fair Funding



STATE OF KANSAS

Tim Shallenburger
TREASURER

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January 25, 2000

To: Joint Committee of the House and Senate Education Committee

From: Tim Shallenburger, State Treasurer

Re: House Bill 2655

Mr. Chairman and Members of the House & Senate Education Committee:

Thank you for the opportunity to submit comments on the proposed bill revision on behalf of the State Treasurer's Office as found in House Bill 2655.

As you know the Kansas Postsecondary Education Savings program was created by the 1999 Kansas Legislature. The program will permit people to contribute to education savings accounts to pay postsecondary education expenses for individuals they designate or for themselves.

The program continues to be on track as we move toward implementation on July 1, 2000.

The proposed changes would ensure the "most beneficial program" for Kansas citizens. Most of the changes are for clarification or represent technical changes to stay compliant with the Internal Revenue Code (IRC) Section 529.

As a brief summary the changes are:

- Page 1, Line 21. This section changes the definition of "Account Owner" from 'individual or individuals' to "Person or persons" to be consistent with IRC Section 529.
- Page 2, Lines 24-25. This section adds the definition of "Rollover Distribution" to be consistent with IRC Section 529.
- Page 3, Line 11. This section is revised to read "The state treasurer "may" establish a nominal nonrefundable application fee for applications." The word "may" is substituted for "shall" to provide the Treasurer with flexibility to charge an application fee or not.

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Attachment 1

- Page 4, Line 2. This section changes the penalty amount from 15% to 10% of the portion of the withdrawal constituting earnings. The reduction in the penalty to 10% will allow the program to be competitive with other states, but still meet the minimum penalty amount as described by IRC section 529.
- Page 4, Line 3. This section changes the word ‘income’ to “earnings” to be consistent with IRC, Section 529.
- Page 4, Lines 4-5. The phrase “plus an amount equal to the amount of interest earned on such portion” is deleted because it is not consistent with IRC, Section 529.
- Page 4, Lines 37-38. This section changes the word “balance” to “contributions” to be consistent with IRC, Section 529.
- Page 5, Line 13-14. This section adds the words “state or” local government “or agency or instrumentality thereof”. The change will allow the state and Regents institutions to award scholarships.
- Page 5, Line 26 and Lines 28-31. These sections expand the age definition, eliminate the age requirement for withdrawals and include non-traditional students.
- Page 5, Line 27. This section deletes the word “calendar” to ensure all account owners and beneficiaries are subject to the same waiting period before a qualified withdrawal can be made, irrespective of the contribution date.
- Page 5, Line 35-36. This section deletes “may be a resident of any state but” and substitutes the “resident” for “citizen”. Clarification is provided that an account owner or beneficiary must be a citizen of the United States of America.
- Page 7, Lines 36-42. This section allows previously deducted taxes to be recovered on amounts withdrawn but not used for educational expenses.
- Page 9, Line 26-27. This section adds “\$4,000 for a married couple filing a joint return.” This wording eliminates the marriage penalty and allows for a \$4,000 state tax deduction per beneficiary for married couples filing a joint return.
- Page 10, New Section 4. This section adds new language and will provide for payroll deduction for state employees to establish family postsecondary education savings accounts at no cost to the state employee.

I appreciate your consideration of the aforementioned proposed changes. Thank you for your time and I will be glad to stand for questions.

Tim Shallenburger, State Treasurer

Date: January 21, 2000
To: Kansas House Education Committee
From: Bill Bates, Vice President – Government Affairs, American Century Investments
Subj: Summary of Oral Testimony to be delivered Tuesday, January 25, 2000

American Century Investments is honored to have been selected by the State Treasurer to serve as program manager for the Kansas Postsecondary Education Savings Program. This outstanding program was created by the Kansas Legislature last year. In addition to marketing the program, American Century will act as the financial depository, record keeper and investment manager for thousands of individuals saving for postsecondary education. This is an awesome responsibility, but one for which we are well prepared.

American Century is a Kansas City company that has grown to become the nation's fifth largest family of directed-marketed mutual funds. We manage more than \$100 billion spread among 70 mutual funds for more than two million shareholders nationwide. In Kansas, we serve more than 82,000 Kansas investors who entrust us with more than \$2.3 billion of their money. We also employ over 950 Kansas residents.

House Bill 2655 contains modest, but important technical corrections to the Kansas Postsecondary Education Savings Plan law. American Century has worked with the State Treasurer's office on these proposals and supports their prompt passage. We believe the changes will improve an already excellent Kansas law and help Kansas to offer one of the finest state-sponsored education savings programs in the nation.

American Century Investments is pleased and proud to have the opportunity to serve the State of Kansas and I will be happy to answer any questions about the improvements proposed in House Bill 2655.

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Attachment 2*