

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Barbara Allen at 10:44 A.M. on February 19, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Chris Courtwright, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Gordon Self, Office of Revisor of Statutes
Jason Thompson, Office of Revisor of Statutes
Judy Swanson, Committee Assistant

Conferees appearing before the committee:

State Treasurer Lynn Jenkins
Sheila Frahm, Kansas Association of Community College Trustees
Diane Duffy, Kansas Board of Regents
Richard Cram, Kansas Department of Revenue

Others attending:

See attached list

Hearing on SB 344—Income tax credit for contributions to programs for savings for higher education expenses

State Treasurer Lynn Jenkins testified **SB 344** would double the deduction for contributions to the Learning Quest Education Savings Program from \$3,000 to \$6,000 for single filers and from \$6,000 to \$12,000 for joint filers. (Attachment 1) American Century has again been contracted to manage the program. Initial contribution requirement has been lowered from \$500 to \$250 for Kansans who do not sign up for automatic monthly contributions. If enacted, **SB 344** would move the contribution deadline from the end of the calendar year to April 15. There is one other state which has the April 15 deadline. There will be no additional cost to the Treasurer's office, but KDOR would incur costs to change its software. The hearing was closed.

Hearing on SB 215—Income tax credit for contributions to community colleges for capital improvements

Sheila Frahm, Kansas Association of Community College Trustees, reviewed the 19 community colleges and service areas in Kansas which showed the calculation of building renewal cost to be \$149.5 million. (Attachment 2) Major remodeling is needed on buildings built in the 1960s. Community college leaders would have a concern if tax credit incentives specifically for deferred maintenance cause a loss for other traditional "planned giving" programs. During discussion, Ms. Frahm said enrollment in community colleges has been increasing, especially during tough economic times. Even though the economy has been good recently, enrollment has stayed constant. She included a report with her testimony showing the amount of money community colleges receive from federal funds.

Diane Duffy, Kansas Board of Regents, testified if **SB 215** was enacted, it would require additional work by the Board of Regents' architect and legal staff to draft regulations and review projects. (Attachment 3) It would cost \$4.5 billion to replace the state university buildings and \$700 million to replace the community college buildings. If in-kind gifts are included, the Board recommends clarification on how these gifts are to be valued. The KBOR currently is not involved with community college and technical school capital improvements.

Richard Cram, KDOR, testified KDOR supports the intent of the bill because there is a strong need to provide for capital improvements. (Attachment 4) However, KDOR has several concerns. With each new tax credit, KDOR incurs significant administrative expense. He suggested folding this idea into the current community service contribution program. A sunset provision is needed in **SB 215**, along with rule and regulation authority. **SB 215** is not clear whether the credit cap is \$400,000 total or \$400,000 per community college. Senator Schmidt said the intent is \$400,000 per community college. KDOR Secretary Joan Wagnon said KDOR would support the bill if the tax credit program was put into the current community service

CONTINUATION SHEET

MINUTES OF THE Senate Assessment and Taxation Committee at 10:44 A.M. on February 19, 2007 in Room 519-S of the Capitol.

contribution program. KDOR strongly opposes transferable credits, as it expands opportunities for fraudulent or abusive credit claims. During discussion it was noted there are currently no tax credits available for charitable contributions to colleges, only tax deductions.

Due to the complexity of the bill, Chairman Allen will request **SB 215** be blessed so it may be considered further. Senator Schmidt volunteered to work with interested parties on finding a way to help community colleges help themselves. The hearing was closed.

Committee discussion was held on **SB 115** and **SB 126**. Gordon Self distributed a balloon amendment which amends the provisions of **SB 126** into **SB 115**. He said this bill would bring retail businesses more into line with car dealers in terms of licensing and registration penalties. Secretary Wagnon said with **SB 115**, KDOR is pursuing businesses that are in fulltime operation, and are chronically delinquent in remitting their sales taxes. The Secretary of KDOR has the authority to make the final ruling if there are circumstances beyond control of the owner, which make it impossible to comply with the law regarding submission of state sales taxes collected,. Senator Pine expressed concerns about swap meets, etc. being caught up in a situation where persons running the swap meet could actually be incarcerated. KDOR has agents who help swap meet-type businesses get their participants registered with KDOR. Secretary Wagnon will provide the Committee a list of how often businesses must remit their sales tax to the state, based on the amount of sales tax they collect annually. KDOR agreed to work with Mr. Self to refine the balloon and bring it back to the Committee for further consideration.

Being no further business, the meeting adjourned. The next meeting will be February 20.

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: Feb 19, 2007

NAME	REPRESENTING
Richard Crum	KDOR
Scott GATES	State Treasurer's OFFICE
Lynn Jenkins	"
John Peterson	American Century
Diane Duffy	Kansas Board of Regents
Joshua Lewis	Sen D. Schmidt
Michael White	Sen. President's office
Shila Luchin	KACCT
Juni Rose	KACCT
John Paulson	Prudential, SMITH's Assoc.
Eric Stafford	AGC of KS
Mark Tallman	KASIB
HOWARD SMITH	PITTSBURG STATE UNIVERSITY
Mike Beecht	Johnson County Comm. College
Will Deer	Federico Consulting
John Dougherty	ESU
TERRY FORSYTH	KNEA
Yann Dunks	DOB



STATE OF KANSAS

Lynn Jenkins, CPA
TREASURER

900 SW JACKSON ST, SUITE 201
TOPEKA, KANSAS 66612-1235

PHONE: 785-296-3171
FAX: 785-296-7950

Senate Committee on Assessment and Taxation, February 19, 2007
Testimony on S.B. 344 by Lynn Jenkins, Kansas State Treasurer

Madam Chair and honorable members of the Senate Taxation Committee, thank you for the opportunity to appear before you today in support of S.B. 344.

This has been an important year for our Learning Quest Education Savings Program. We've seen its assets grow to over \$1.6 Billion dollars with accounts held by almost 44,000 Kansas families. Our original contract with American Century Investments expired this year; so we sent a request for proposal to every investment company involved in the college savings market. We are pleased that American Century submitted the most competitive proposal and we will be rolling out some changes to the program this April that were a result of the re-bid process. Account owners will see the 0.39% program management fee cut almost in half to 0.20%. The Program will also have six new portfolios as well as a totally new structure for our age-based portfolios that is designed to improve performance and lower costs. Investors working through investment advisors will have even more options for creating a custom tailored portfolio. Kansans can open an account with automatic contributions from their payroll or bank account for as little as \$25 per month and we have now lowered the minimum initial contribution from \$500 to \$250 for Kansans who do not sign up for automatic monthly contributions.

Last year you helped our plan continue to be an industry leader by eliminating a state penalty for certain qualified withdrawals, by being one of the first three states to give its residents the benefit of their state income tax deduction regardless of which state's 529 plan they choose, and by starting a matching grant program for low income Kansans. I commend you for becoming one of eight states with a matching grant program.

With the rising costs of college tuition, this year we propose doubling the deduction for contributions to \$6,000 for single filers and \$12,000 for joint filers. As I travel the state, I frequently encounter investors with young children who want to invest one lump sum and let it grow over the long term. Our current tax policy encourages investors to limit their contributions each year to maximize their tax deduction. We last raised this deduction from \$2,000 and \$4,000 in 2004 to \$3,000 and \$6,000 beginning in tax year 2005. The attached table shows the effect that this increase has had on our investors. 14% of Kansans who

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Attachment # 1

invested in our plan in 2004 stopped after they contributed the \$4,000 deduction limit and only 1% contributed between \$5,000 and \$6,000. By 2006, these numbers almost completely reversed themselves with 10% contributing between \$5,000 and \$6,000 and only 4% contributing between \$3,000 and \$4,000. This data clearly shows that our deduction limit affects the way people save for college. The table also interestingly shows that investments at the lower levels have remained relatively constant over the last three years. If Kansans do limit the amount they save to our current deduction limits, some will not be able to reach their goal of fully funding their child's education. Our research shows that a family with an eight year old would need to contribute \$11,204 each year to send their student to college in ten years. This figure is based on the total four year cost at the average private college in the Midwest as projected by the College Board assuming a 5% inflation rate and a 7% annual investment return.

Five other states have an unlimited income tax deduction, another six allow investors to carry forward contributions over the yearly cap into the next tax year, and another eleven states have a yearly deduction that is greater than ours. This means that of the 32 plans with a tax deduction for contributions to their 529 plan, 22 have deductions with more value to the investor than our current limit. (7 states have no income tax and 10 states have an income tax but no deduction for contributions to a 529 plan.)

The other provision in this bill moves the contribution deadline from the end of the calendar year to April 15th. Time and time again I have been told that the end of the calendar year is a difficult financial time for most Kansas families. There are just too many things to pay for in December and families have to make choices. My hope is that by moving the deadline to April 15 of the following year the burden will be lessened and more Kansas families will be able to open and contribute to their 529 plans. Another benefit of moving the deadline is that the timeline will be more in line with the deadline IRA investors are accustomed to.

Thank you again for allowing me to discuss this proposal with you this morning. I hope you will join me in encouraging Kansans to save for their children's dreams by supporting S.B. 344. I'd be glad to answer any questions that you may have.

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Attachment # 1-2

Number of SHH by Contribution Amount per Beneficiary

	2004	2005	2006
0	7,759	9,565	11,742
1-500	4,717	5,559	6,620
501-1,000	4,866	5,614	6,342
1,001-1,500	2,867	3,203	3,572
1,501-2,000	2,401	2,359	2,364
2,001-2,500	1,349	1,612	1,644
2,501-3,000	939	1,585	1,790
3,001-4,000	4,635	2,213	1,949
4,001-5,000	1,127	1,172	1,205
5,001-5,500	156	230	257
5,501-6,000	307	2,924	3,823
>6,001	1,689	2,182	2,396
Grand Total	32,812	38,218	43,704

Percentage of SHH by Contribution Amount per Beneficiary

	2004	2005	2006
0	24%	25%	27%
0-500	14%	15%	15%
501-1,000	15%	15%	15%
1,001-1,500	9%	8%	8%
1,501-2,000	7%	6%	5%
2,001-2,500	4%	4%	4%
2,501-3,000	3%	4%	4%
3,001-4,000	14%	6%	4%
4,001-5,000	3%	3%	3%
5,001-5,500	0%	1%	1%
5,501-6,000	1%	8%	9%
>6,001	5%	6%	5%
Grand Total	100%	100%	100%



World's Simplest* College Cost Calculator

Results:

100% of your total college costs will be **\$214,912**. You will need to make annual contributions of **\$11,024** to meet this cost.

Here are the assumptions we've made. Feel free to change these assumptions and recalculate the results by pressing "Submit" below.

Your child:

Will be attending a college that currently costs \$ annually.

Has years until college.

Will attend college for years on a basis.

You:

Wish to save enough to pay for % of projected college costs.

Wish to meet your savings goal by the time your child college.

Currently have \$ in your college savings.

Wish to make contributions to your college savings.

Expect college costs to increase by % per year.

Expect to earn % after-tax each year in your college savings fund.

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Date 2-19-07
Attachment # 1-4



KANSAS ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES

700 SW Jackson, Suite 1000 • Topeka, KS 66603-3757 • Phone: 785-357-5156 • Fax: 785-357-5157
Sheila Frahm, Executive Director • E-mail: frahm@kacct.org • Website: www.kacct.org

MEMO

TO: SENATE Assessment & Taxation Committee

**Senator Barbara Allen, Chairman and Members of the Committee: Senators –
Donovan, D. Schmidt, Apple, Bruce, Jordan, Pine, Lee and Goodwin**

From: Sheila Frahm, Executive Director

Date: February 19, 2007

RE: SB 215—Tax Credits for contributions to Community Colleges for Capital
Improvements

Madam Chairman and Members of the Committee,

Thank you for the opportunity to respond to your hearing for SB 215. The Kansas Community Colleges appreciate this opportunity to review our deferred maintenance issues for your attention and to investigate further the potential funding options that can be considered. The issue is being discussed with several Senate and House Committees. Particularly, the Senate Higher Education Task Force has spent several meetings reviewing deferred maintenance needs of State Universities and Community Colleges. Various funding sources have been or could be considered.

Regarding the use of Tax Credits as provided in SB 215, it is a challenge for our community college leaders to predict IF or HOW MUCH individuals or businesses would consider the tax credit option as an incentive to begin or increase their contributions to our programs and projects. Currently, Kansas citizens and businesses do contribute to local college endowment and foundation projects and funds. These traditional contributions are used mainly for scholarships to students. Contributions are also made for specific building projects or programs on each campus. Our leaders would naturally have a concern if tax credit incentives specifically for deferred maintenance caused a loss for other traditional “planned giving” to our colleges.

The potential advantages and options provided in SB 215 must be weighed carefully for their impact on current programs and projects with the future value for the deferred maintenance options.

We look forward to continuing to review the Deferred Maintenance issue and potential funding with this committee and others as assigned. Thank you again for the opportunity to meet with this committee.

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Date 2-19-07
Attachment # 2



KANSAS ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES

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Sheila Frahm, Executive Director • E-mail: frahm@kacct.org • Website: www.kacct.org

MEMO

TO: SENATE Assessment & Taxation Committee

**Senator Barbara Allen, Chairman and Members of the Committee: Senator –
Donovan, D. Schmidt, Apple, Bruce, Jordan, Pine, Lee and Goodwin.**

From: Sheila Frahm, Executive Director

Date: February 19, 2007

RE: Community College Deferred Maintenance Report

Madam Chairman and members of the Tax Committee,

Please find attached a copy of the Power Point presentation which provides background information regarding the community college deferred maintenance needs.

Assessment & Taxation
Date 2-19-07
Attachment # 2-2

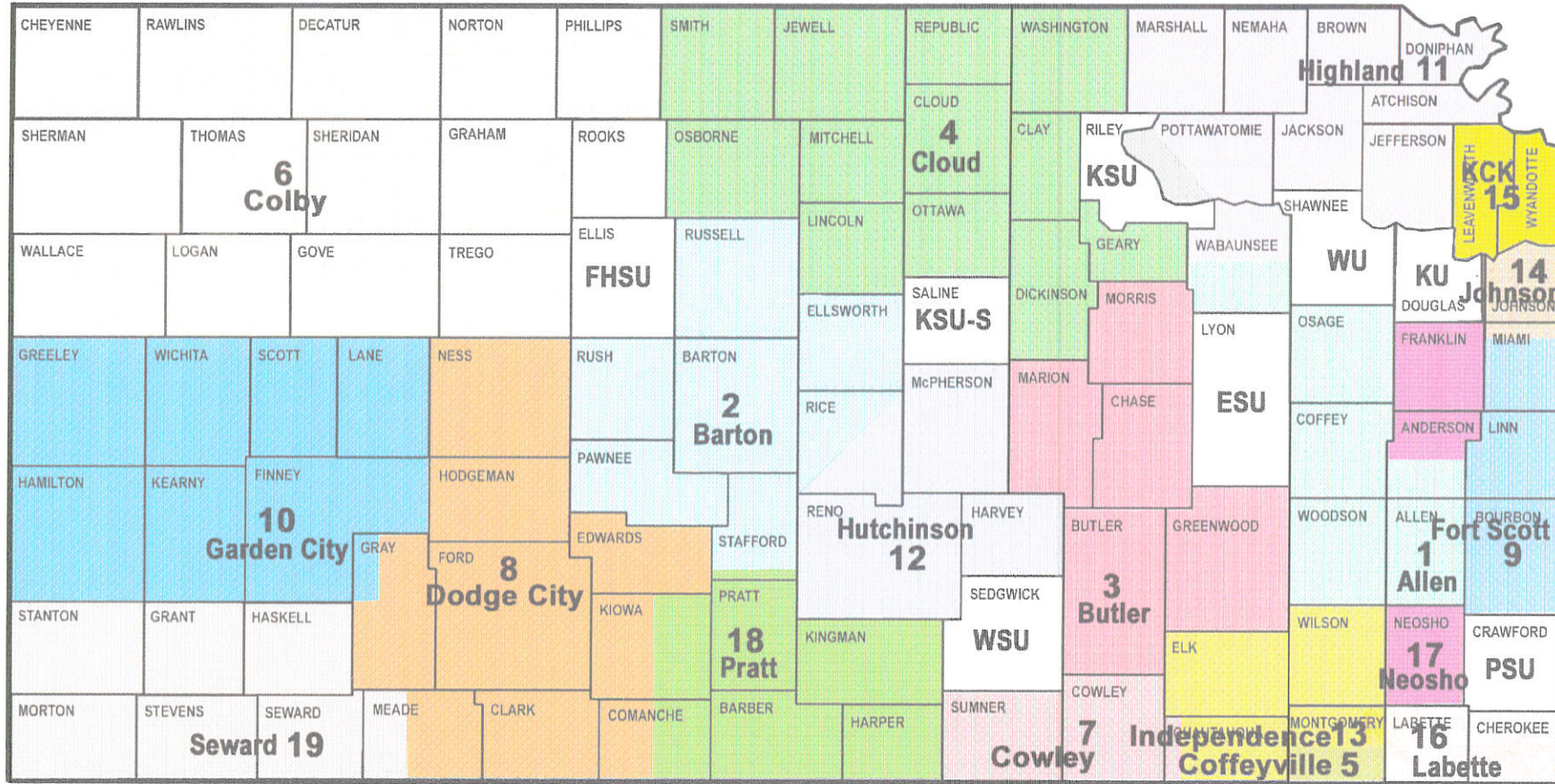
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Deferred Maintenance Kansas Community Colleges

Fall 2006

ISES CORPORATON

Kansas Community Colleges and Service Areas for Kansas Community Colleges



- | | |
|--|--|
| <input type="checkbox"/> 1. Allen County Community College, Iola | <input type="checkbox"/> 12. Hutchinson Community College, Hutchinson |
| <input type="checkbox"/> 2. Barton County Community College, Great Bend | <input type="checkbox"/> 13. Independence Community College, Independence |
| <input type="checkbox"/> 3. Butler County Community College, El Dorado | <input type="checkbox"/> 14. Johnson County Community College Overland Park |
| <input type="checkbox"/> 4. Cloud County Community College, Concordia | <input type="checkbox"/> 15. Kansas City Kansas Community College, Kansas City |
| <input type="checkbox"/> 5. Coffeyville Community College, Coffeyville | <input type="checkbox"/> 16. Labette Community College, Parsons |
| <input type="checkbox"/> 6. Colby Community College, Colby | <input type="checkbox"/> 17. Neosho County Community College, Chanute |
| <input type="checkbox"/> 7. Cowley County Community College, Arkansas City | <input type="checkbox"/> 18. Pratt Community College, Pratt |
| <input type="checkbox"/> 8. Dodge City Community College, Dodge City | <input type="checkbox"/> 19. Seward County Community College, Liberal |
| <input type="checkbox"/> 9. Fort Scott Community College, Fort Scott | |
| <input type="checkbox"/> 10. Garden City Community College, Garden City | <input type="checkbox"/> State Universities/Washburn |
| <input type="checkbox"/> 11. Highland Community College, Highland | <input type="checkbox"/> Unassigned |

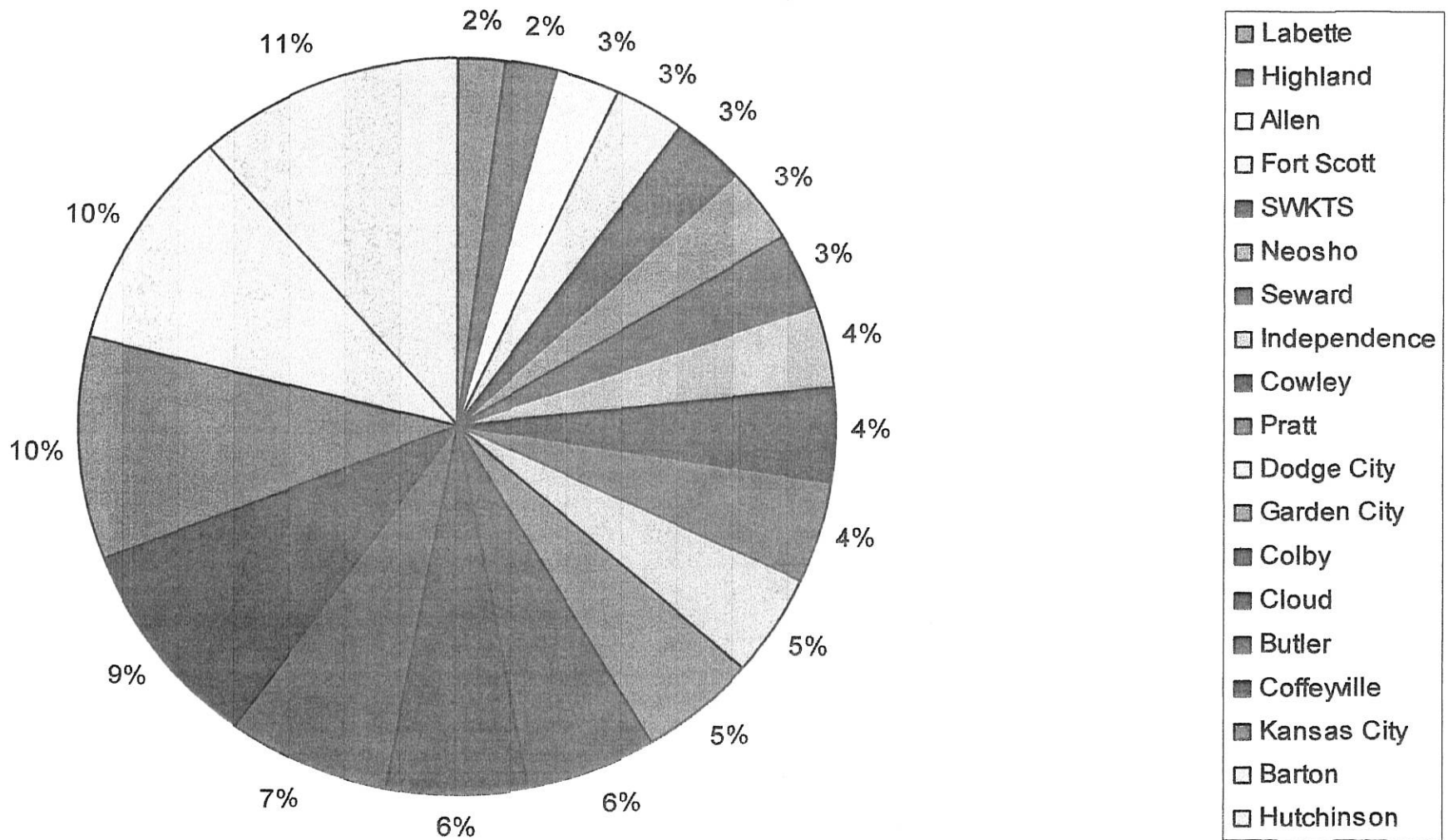
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Fall 2006		
Calculation of Building Renewal		
Kansas Association of Community College Trustees		
All Institutions E & G with Infrastructure		
Campus	Total Facility Replacement Cost	Total Renewal Costs
Allen	\$26,632,656	\$3,900,492
Barton	\$73,344,146	\$14,741,892
Butler	\$75,414,914	\$10,497,550
Cloud	\$25,372,201	\$9,198,396
Coffeyville	\$46,969,414	\$13,592,529
Colby	\$40,591,797	\$8,235,611
Cowley	\$44,781,952	\$6,150,704
Dodge City	\$27,365,846	\$7,022,293
Fort Scott	\$30,918,862	\$4,581,906
Garden City	\$47,420,804	\$7,290,303
Highland	\$29,653,571	\$3,350,389
Hutchinson	\$90,255,346	\$16,992,210
Independence	\$23,283,058	\$5,369,298
Kansas City	\$57,540,813	\$14,400,164
Labette	\$20,650,902	\$3,082,846
Neosho	\$23,249,986	\$4,927,522
Pratt	\$47,087,193	\$6,523,641
Seward	\$45,822,240	\$5,025,498
SWKTS	\$16,569,427	\$4,672,682
	Total	Total
	\$792,925,128	\$149,555,927

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Assessment Taxation
Date 2-19
Attachment # 2

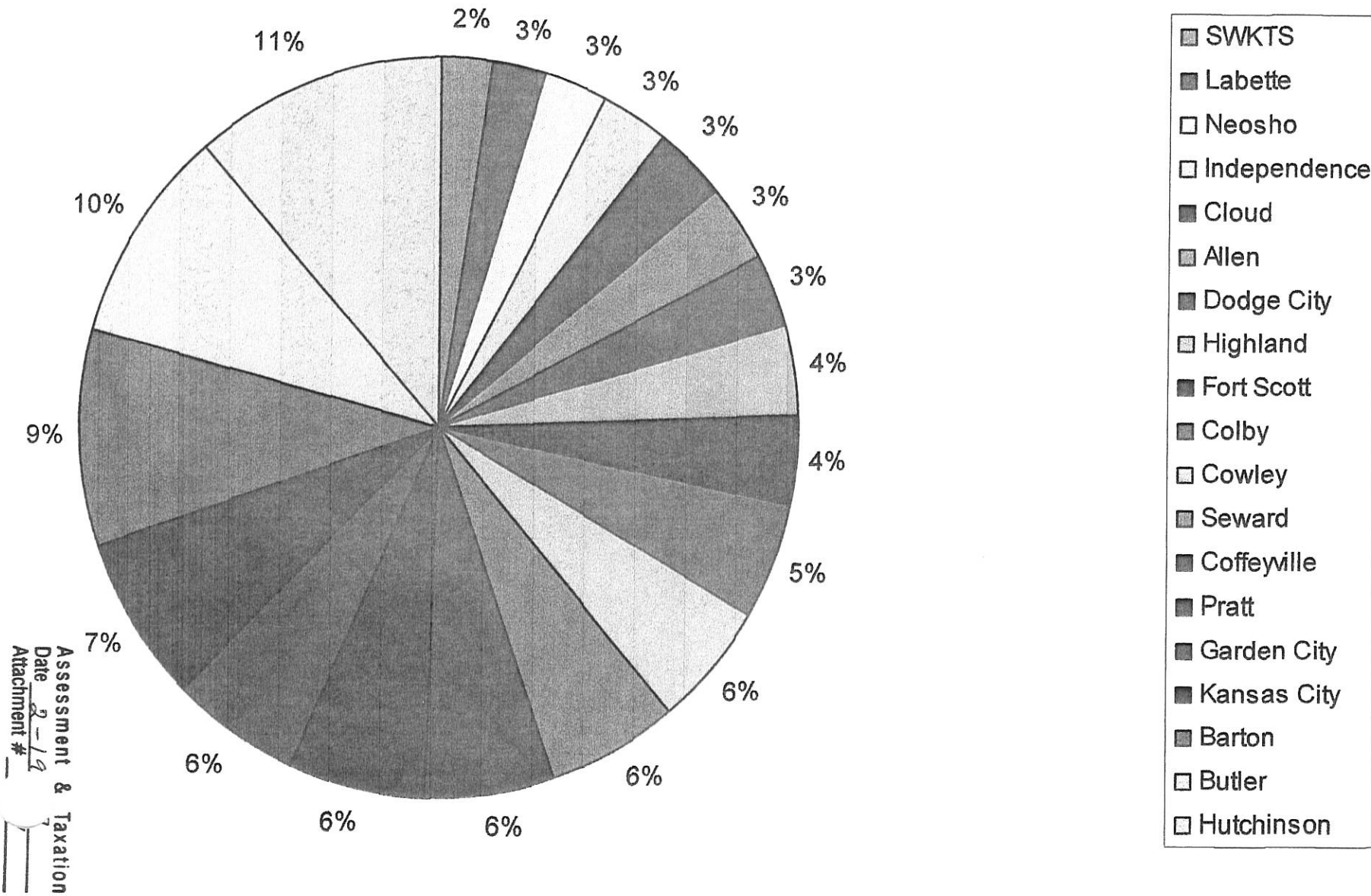
E & G Renewal Cost By Campus



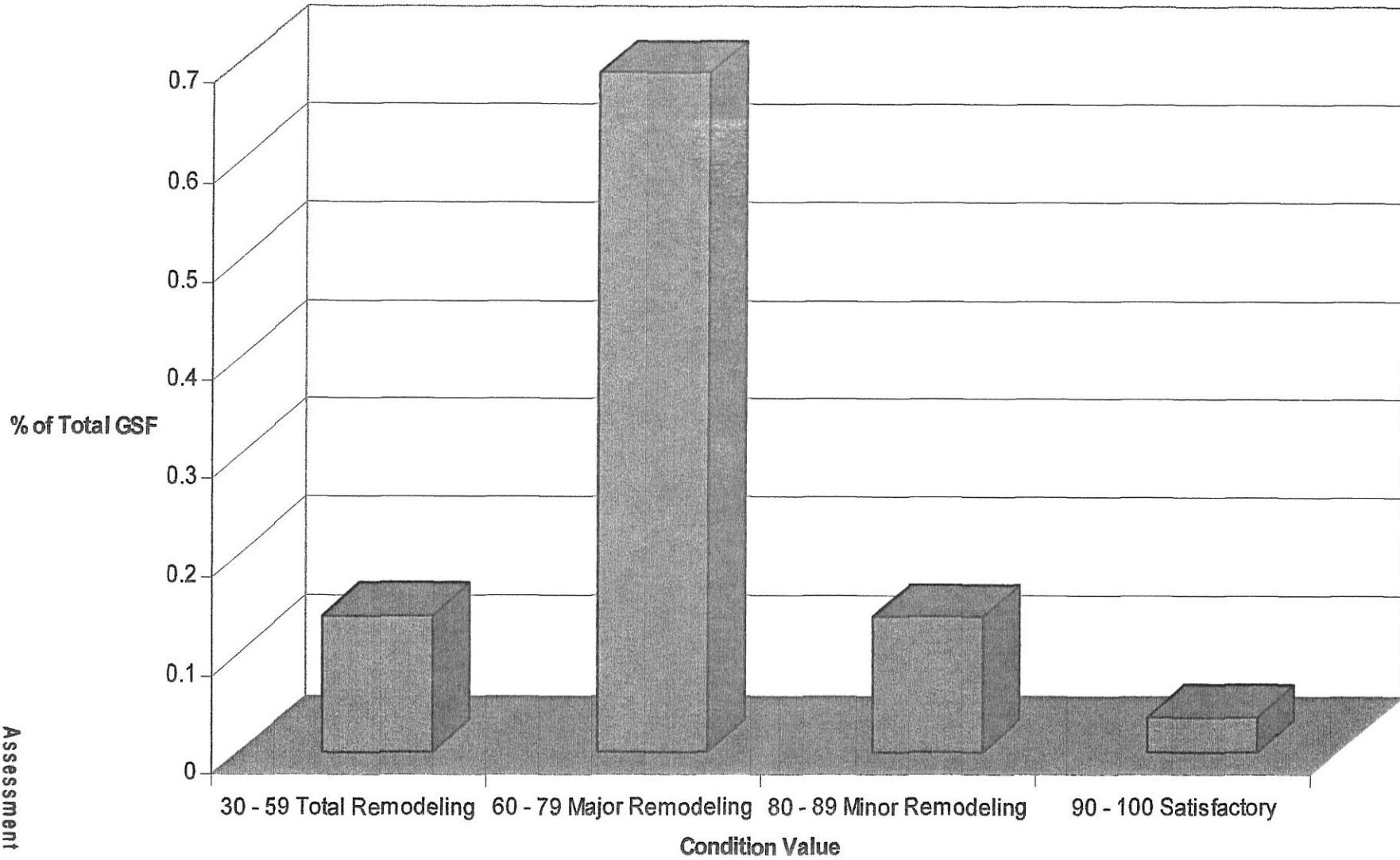
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Attachment # 6

E & G Replacement Cost by Campus



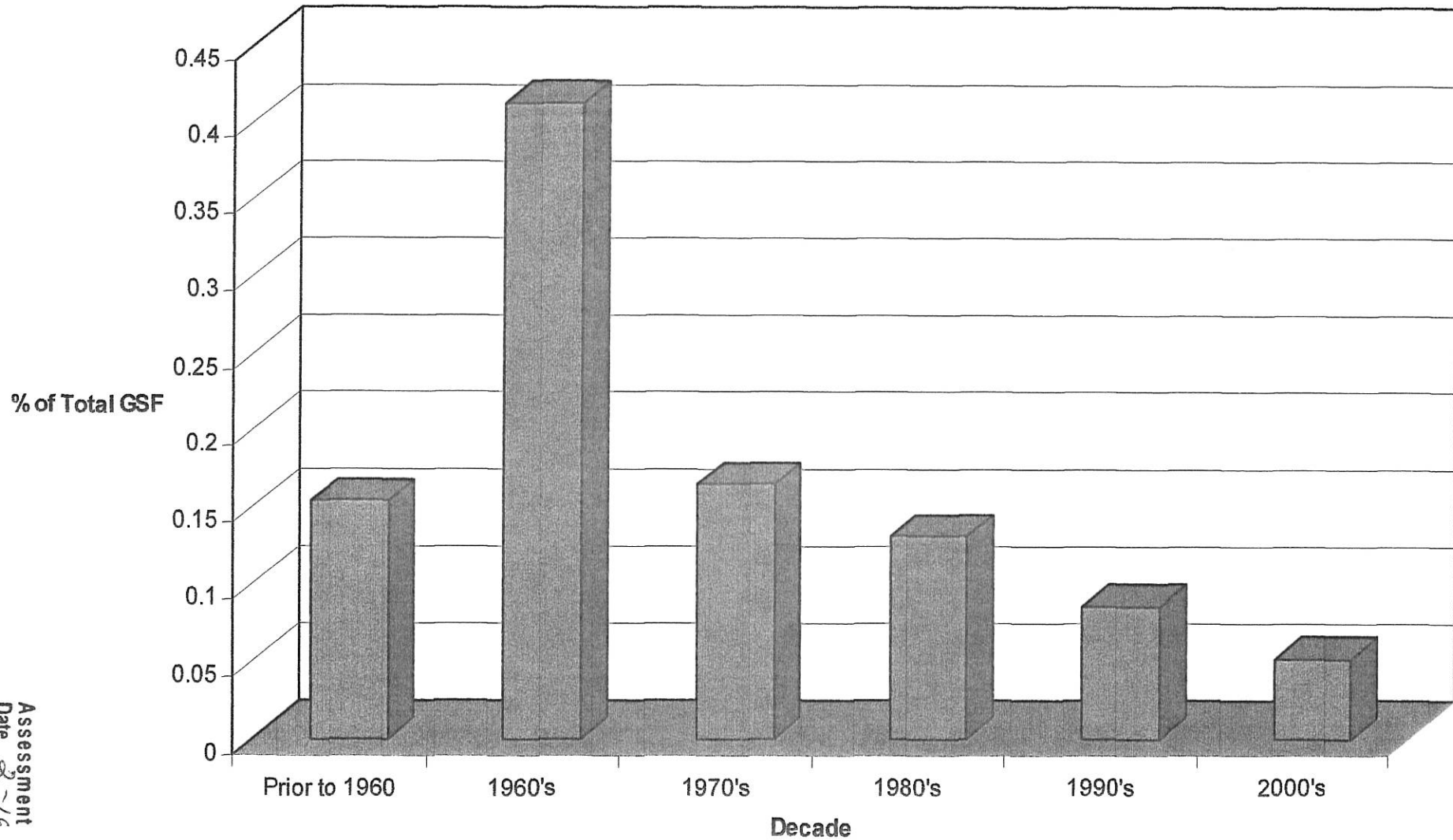
Condition Distribution All Campuses E & G



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Assessment & Taxation
Date 2-19-18
Attachment # 8

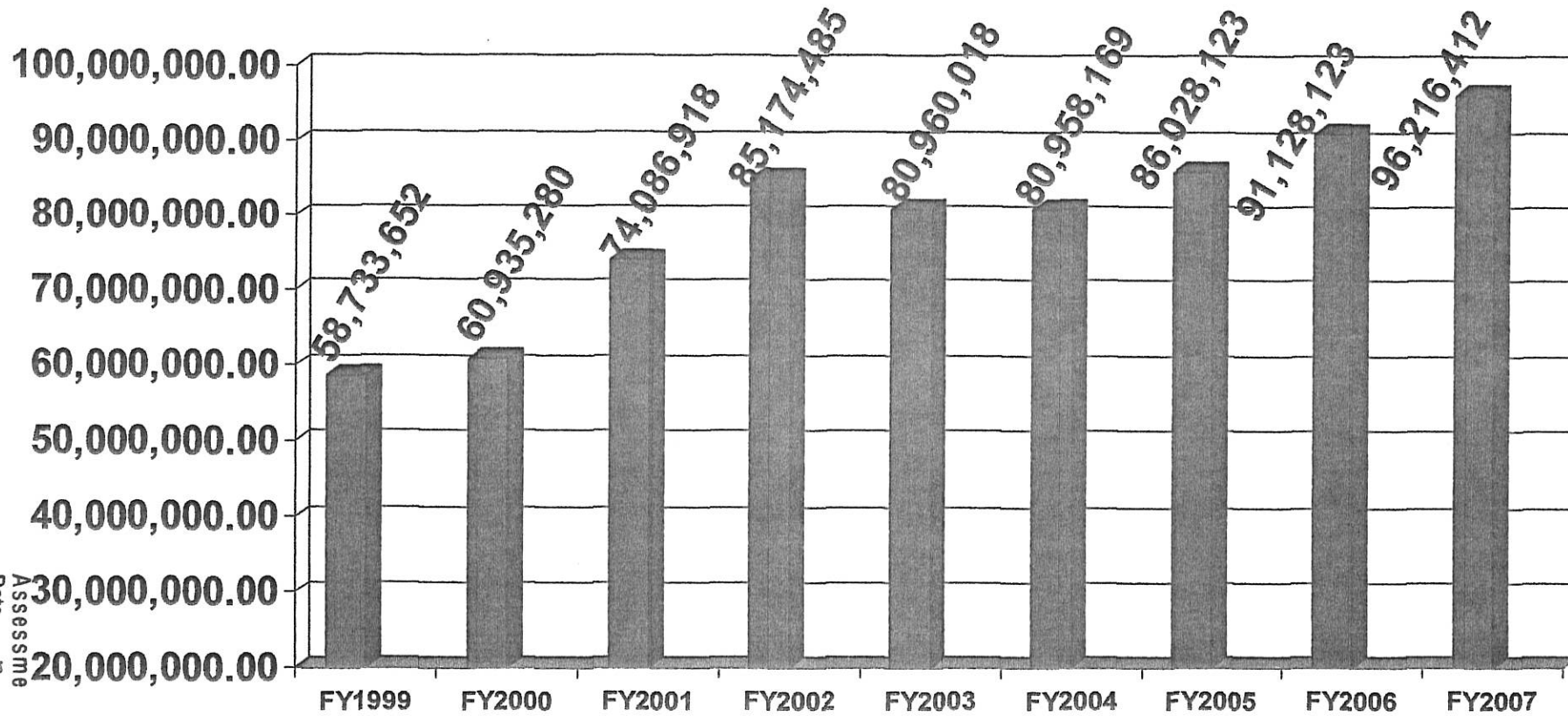
Age Distribution All Campuses E & G



Ass & Tax
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Assessment
Date 2-14
Attachment # 2-7
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State Grant- All Community Colleges

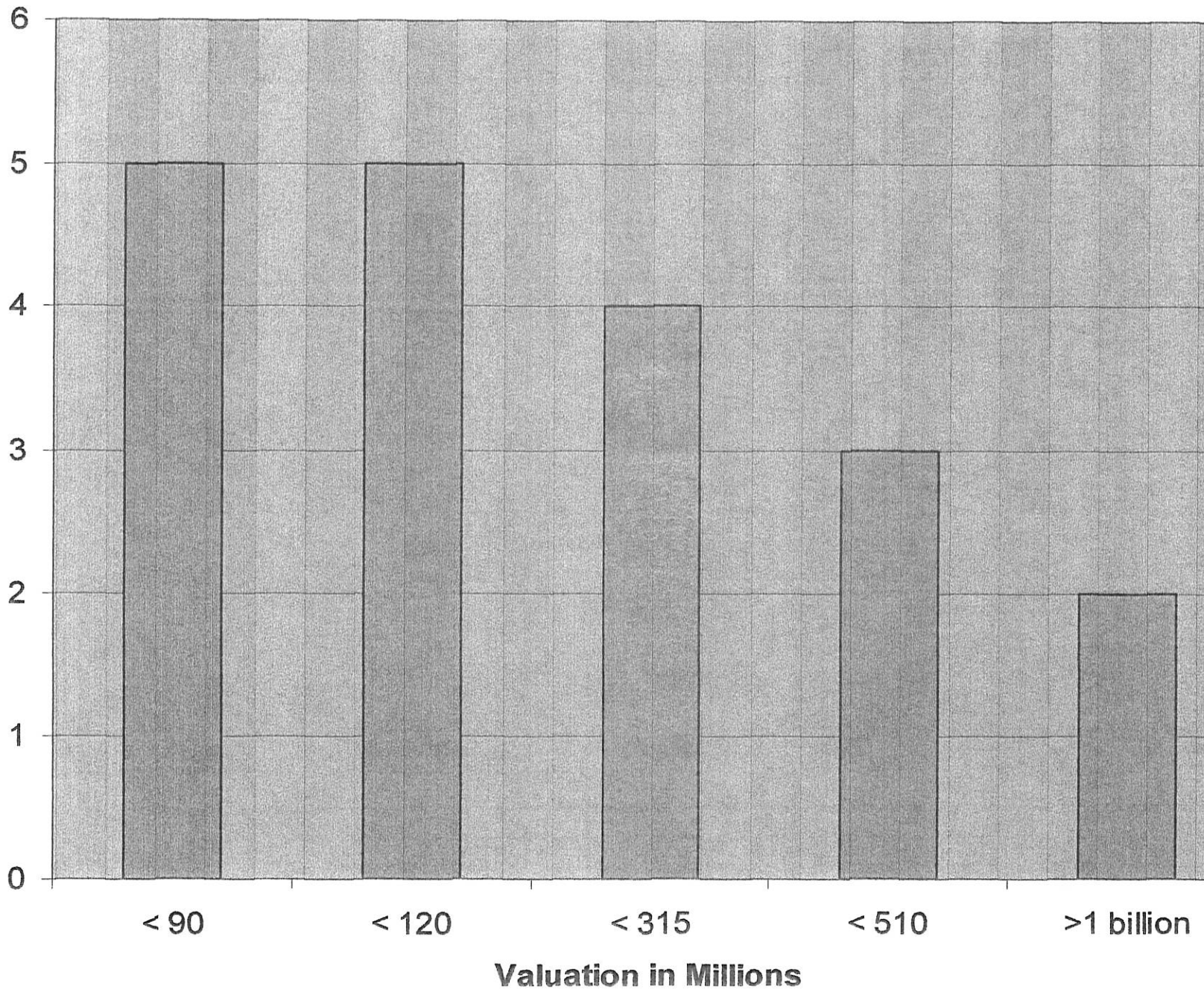


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Attachment # 2-10

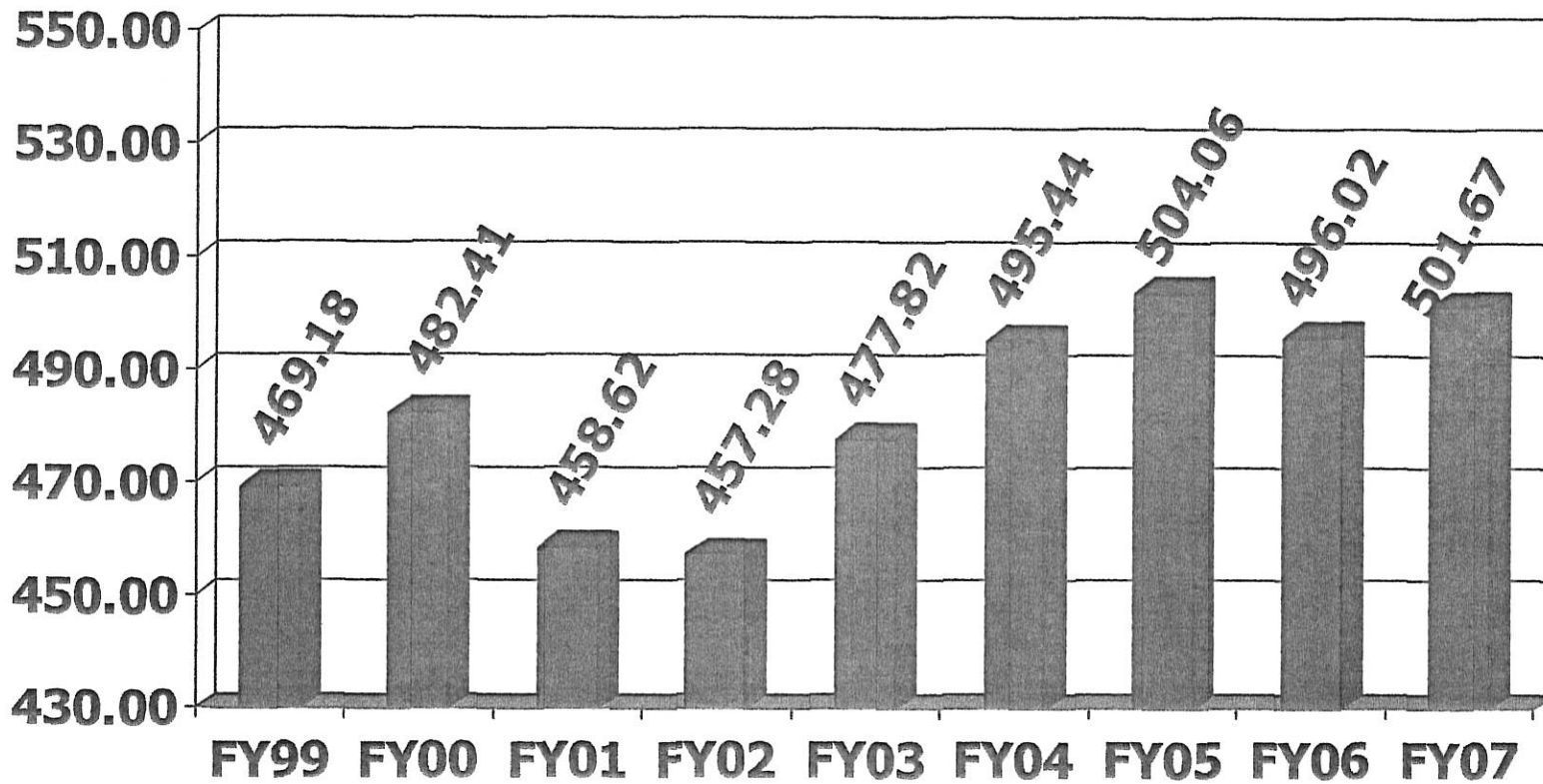
Assessment & Taxation
Date 2/11
Attachment # 1

Colleges



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Kansas Community College Mill Levies



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KANSAS ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES

2006 Local Mill Levy

Final Valuation/Mill Levy's	Certified							
Kansas Community Colleges								
	2006/2007	2006/2007	Adult	Bond &	Capital	No Funds	Special	
	Assessed	General Mill	Education	Interest	Outlay	Warrants	Assessme	
COLLEGES	Valuation	Levy					nt	
Allen County	84,632,201	13.352			3.334			16.686
Barton County	206,376,190	30.537						30.537
Butler County	471,677,198	17.363						17.363
Cloud County	70,510,266	27.721			3.995			31.716
Coffeyville	109,588,433	36.798			1.942			38.740
Colby	80,743,172	33.400						33.400
Cowley County	210,324,808	18.595						18.595
Dodge City	223,347,352	28.072	0.249		2.00			30.321
Fort Scott	88,754,941	22.342						22.342
Garden City	507,337,233	18.217			0.999			19.216
Highland	66,816,640	14.620						14.620
Hutchinson	477,812,976	21.704			1.993			23.697
Independence	112,315,524	35.651						35.651
Johnson County	7,728,958,492	8.353			0.5		0.019	8.872
Kansas City Kansas	1,169,496,962	18.218			2.026			20.244
Labette	119,132,871	35.093	0.261					35.354
Neosho County	101,614,552	32.233	0.082					32.315
Pratt	110,690,684	39.037			1.951			40.988
Seward County	312,241,381	26.011						26.011
TOTALS	12,252,371,876.00	477.32	0.59	0.00	18.74	0.00	0.02	496.67

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Assessment & Taxation
Date 2-19-11
Attachment # 2-1



**Summary for the State of Kansas Community Colleges
2005-2006**

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Federal Program	Number of Students Served	Total Dollars
Pell Grants	19,265	\$39,968,999
SSIG Grants	190	286,895
SEOG Grants	3,400	1,135,851
Federal Work-Study	1,638	1,638,158
Federal Perkins Loan	196	298,138
TRIO Programs	6,522	5,343,288
Perkins Vocational Funds		3,437,388
Title III Grant Funds		2,663,745
Federal Direct FFELP Loans	20,524	51,909,149
Total	51,735	\$106,681,611

Assessment & Evaluation
Date 2-19-06
Attachment # 3

*Sheila Friskin
785-357-5156*

**ACCT Federal Dollars
2005-2006**

A	B	C	D	E	F	G	H	I	J	K	L	M
Kansas Community Colleges	#Pell Grant Recipients	Pell Grant Funds Awarded (FISAP Part II, Sec. E, Line 23)	Average Pell Grant Awarded (divide Col B by Col A)	# Receiving Maximum Pell-Zero EFC that received some Pell Funds	# Qualifying for Less Than \$600 Pell Grant-EFC of 3401 3850	# Students Receiving SSIG Funds	State Scholarship Funds Awarded SSIG (FISAP Part II, Sec. E, Line 24)	# SEOG Recipients (FISAP Part VI, Sec. A, Line 16, Col C)	Federal SEOG Funds Expended (FISAP Part IV, Sec. A, Line 16, Col. D)	# Workers Federal Work Study (FISAP Part VI, Sec. A, Line 16, Col E)	Funds Expended Federal Work Study (FWS) (FISAP Part VI, Sec.A, Line 16, Col F)	# Federal Direct/FFELP PLUS Loan Recipients
Allen County	723	\$1,530,175	\$2,116	107	79	0	\$0	49	\$13,321	56	\$48,781	679
Barton County	781	\$1,601,984	\$2,051	353	321	12	\$47,000	77	\$20,577	107	\$99,704	861
Butler County	2,762	\$5,447,716	\$1,972	1,227	72	21	\$24,450	251	\$99,200	132	\$249,063	3,786
Cloud County	745	\$1,546,678	\$2,076	331	17	12	\$19,750	237	\$60,900	106	\$91,910	732
Coffeyville	512	\$1,224,382	\$2,391	81	24	0	\$0	163	\$39,953	126	\$76,500	362
Colby	445	\$1,067,287	\$2,398	82	47	17	\$35,000	69	\$29,578	90	\$81,263	489
Cowley County	1,897	\$4,193,105	\$2,210	998	35	2	\$1,500	301	\$83,750	102	\$103,467	1,870
Dodge City	758	\$983,898	\$1,298	112	34	4	\$8,195	66	\$26,678	72	\$49,044	222
Fort Scott	745	\$1,790,712	\$2,404	155	10	0	\$3,913	47	\$18,536	88	\$80,172	496
Garden City	714	\$1,648,173	\$2,308	296	19	8	\$22,750	128	\$45,815	77	\$75,654	594
Highland	811	\$1,586,374	\$1,956	346	38	3	\$5,200	106	\$44,250	86	\$73,162	975
Hutchinson	1,430	\$3,094,930	\$2,164	350	166	56	\$45,500	126	\$107,143	66	\$78,851	1,321
Independence	410	\$882,132	\$2,152	74	41	0	\$0	397	\$71,150	79	\$57,676	156
Johnson County	2,706	\$5,297,435	\$1,958	1,500	302	10	\$9,196	208	\$213,000	106	\$210,658	4,971
Kansas City	2,014	\$3,950,085	\$1,961	996	34	7	\$9,553	921	\$178,231	119	\$123,594	1,259
Labette	546	\$1,227,576	\$2,248	84	39	5	\$10,493	95	\$45,894	36	\$37,129	470
Neosho County	583	\$1,330,757	\$2,283	111	18	6	\$13,461	84	\$12,570	55	\$32,033	564
Pratt	329	\$771,355	\$2,345	70	15	23	\$21,639	41	\$13,631	80	\$33,371	349
Seward County	354	\$794,245	\$2,244	116	7	4	\$9,295	34	\$11,674	55	\$36,126	368
Total	19,265	\$39,968,999	\$40,536	7,389	1,318	190	\$286,895	3,400	\$1,135,851	1,638	\$1,638,158	20,524

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Assessee
Date 2-07
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**ACCT Federal Dollars
2005-2006**

A	N	O	P	Q	R	S	T	U	V	W	X
Kansas Community Colleges	Average Student Loan Per Recipient (divide Col O by Col M)	Federal Direct/FFEL P Loan Dollars	# Federal Perkins Loan Recipients (FISAP Part VI Section A Line 16, Col A)	Total Federal Perkins Loan Funds (FISAP Part VI, Section A, Line 16, Col B)	Average Federal Perkins Loan Per Recipient (Column Q/Column P)	Trio Funds	# Students Served in Trio Programs	Perkins Voc. Ed Funds in Budget	Title III Grant Funds	Summary Federal Dollars-Pell, SSIG, SEOG, FWS, Federal Direct/FFELP, TRIO, Perkins Vocational, Title III	# Students Served (Add Columns B,G,I,K,M,P, and T)
Allen County	\$2,350	\$1,595,388	0	0		\$0	0	\$109,484	\$337,722	\$3,634,871	1,507
Barton County	\$1,711	\$1,472,860	0	0		\$783,922	1,250	\$165,166	\$0	\$4,191,213	3,088
Butler County	\$2,154	\$8,156,170	0	0		\$0	0	\$323,054	\$0	\$14,299,653	6,952
Cloud County	\$2,205	\$1,614,023	0	0		\$132,853	160	\$209,756	\$219,368	\$3,895,238	1,992
Coffeyville	\$2,623	\$949,508	0	0		\$0	0	\$0	\$0	\$2,290,343	1,163
Colby	\$3,245	\$1,586,662	54	104,748	1,940	\$220,000	200	\$153,461	\$0	\$3,277,999	1,364
Cowley County	\$2,773	\$5,185,362	0	0		\$752,871	800	\$190,940	\$333,070	\$10,844,065	4,972
Dodge City	\$2,339	\$519,209	0	0		\$304,550	600	\$174,831	\$350,760	\$2,417,165	1,722
Fort Scott	\$1,908	\$946,467	0	0		\$236,500	203	\$159,551	\$0	\$3,235,851	1,579
Garden City	\$2,152	\$1,278,146	0	0		\$760,187	875	\$212,203	\$0	\$4,042,928	2,396
Highland	\$2,178	\$2,124,032	0	0		\$263,179	200	\$114,203	\$347,844	\$4,558,244	2,181
Hutchinson	\$3,464	\$4,576,447	0	0		\$383,451	350	\$309,143	\$309,392	\$8,904,857	3,349
Independence	\$1,844	\$287,601	0	0		\$27,232	56	\$0	\$0	\$1,325,791	1,098
Johnson County	\$2,410	\$11,982,214	142	193,390	1,362	\$0	0	\$529,154	\$0	\$18,435,047	8,143
Kansas City	\$3,907	\$4,918,467	0	0	0	\$0	0	\$385,961	\$363,951	\$9,929,842	4,320
Labette	\$2,220	\$1,043,242	\$0	\$0		\$508,099	825	\$135,204		\$3,007,637	1,977
Neosho County	\$3,451	\$1,946,575	0	0		\$750,444	898	\$121,727	\$0	\$4,207,567	2,190
Pratt	\$2,525	\$881,315	0	0		\$0	0	\$143,550	\$0	\$1,864,861	822
Seward County	\$2,297	\$845,461	0	0		\$220,000	105	\$0	\$401,638	\$2,318,439	920
Total	\$2,529	\$51,909,149	196	298,138	1,521	\$5,343,288	6,522	\$3,437,388	\$2,663,745	\$106,681,611	51,735

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2/19
2/16*

Assessment Taxation
Date 2/07
Attachment # 2



KANSAS BOARD OF REGENTS

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Senate Committee on Assessment and Taxation February 19, 2007

Testimony Regarding Senate Bill 215

Diane Duffy, Vice-President, Finance & Administration

Madam Chair and Members of the Committee, thank you for the opportunity to provide some additional information about SB 215.

We appreciate the bill's positive intention to provide additional incentives to taxpayers who contribute to the financial wellbeing of their community colleges by making financial contributions for capital improvements. The topic of capital improvement and deferred maintenance is a critical concern across all postsecondary institutions.

In order for contributions of taxpayers to be eligible for credit, each community college would be required to submit a proposal for a capital improvement program to the Board of Regents. The following must be included in the proposal: 1) the capital improvement program to be undertaken; 2) why the capital improvement program is needed; 3) the estimated cost of the capital improvement program; 4) the plans for implementing the capital improvement program; and 5) any other information requested by the Board. The Board is required to annually review and approve or disapprove any community college proposals submitted for a capital improvement program. The Board is authorized to establish rules and regulations for the program to define criteria and priorities by which proposals are to be judged.

If capital improvement projects come to reality from this bill, it would require additional work from the Board of Regent's architect and legal staff to draft regulations and review projects. Depending on the number of projects proposed in any given year, additional resources may be required to contract for professional services to assist the Board's architect.

As the Committee reviews this legislation, it may want to clarify the language regarding "contributions;" particularly whether in-kind gifts are included. In-kind contributions for capital improvements are not uncommon and may be welcomed in many cases, but they can also be overvalued by the donor or incompatible with the project's requirements. It can be difficult to explain how, after receiving a \$3 million in-kind contribution on a \$10 million building, \$8 million is still required to complete the project. Therefore if in-kind gifts are expressly included, the Board recommends clarification on how these gifts are to be valued.

Thank you for the opportunity to comment. I would be happy to answer any questions that you or committee members may have.

Assessment & Taxation
Date 2-19-07
Attachment # 3

Testimony to the Senate Committee on Assessment and Taxation

Richard Cram

February 19, 2007

Department's Concerns with Senate Bill 215

Senator Allen, Chair, and Members of the Committee:

Sections 1 and 2 of Senate Bill 215 appear to create 2 new credits against Kansas income tax, premiums tax, or privilege tax for contributions to a Kansas community college for capital improvements commencing with tax year 2007. The credits are for 50% of the contributed amount, or 70% if the community college is located in a rural community. Credits under section 1 are refundable and capped at \$400,000 per fiscal year. It is not clear whether the cap is \$400,000 total or \$400,000 per community college. We assume the cap is \$400,000 total—not per community college. If that assumption is incorrect, then our fiscal note will need to be revised upward accordingly, multiplying \$400,000 times the number of eligible community colleges. Credits under section 2 are not refundable, but can be carried forward for 3 years, and are transferable for 50% of their value, with a total cap of \$7.5 million per fiscal year.

Given refundability in section 1 and transferability in section 2, we assume the caps would be reached, so the fiscal impact is \$7.9 million per fiscal year starting in fiscal year 2008. This bill will create two new tax credit programs, shrink our income tax base and use our tax code to provide expenditures from the state general fund for community college capital improvements while avoiding the formal appropriations process. The capital improvements funding for a community college will depend on its fundraising skills. Is this good policy? Also, there does not appear to be a mechanism for awarding and monitoring the credits so that the fiscal caps are not exceeded. Is board of regents responsible for awarding the credits in advance and monitoring when the caps are reached?

With each new tax credit, the Department incurs significant administrative expense: development of a new credit schedule; reprogram computer systems to accept and process the data from the new schedule; test and retest the system until errors are resolved. Administer the new credit program going forward. Generally, at least three months of programming resources are required. The estimated costs necessary to implement this bill are \$258,616 in fiscal year 2008.

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Date 2-19-07
Attachment # 4

The Department strongly opposes transferable credits. This expands opportunities for fraudulent or abusive credit claims, and adds the complexity of attempting to track the credit transfers. The credit transferability provisions should be deleted.

If the contributions qualify as charitable contributions for federal income tax purposes and assuming a taxpayer is in the 28% federal income tax bracket, the combination of federal income tax reduction and a state tax credit of 70% of the contribution would largely offset the amount of the contribution. Is this rationale tax policy? An "add-back" provision for the amount of any contributions used to qualify for the credit should be included in K.S.A. 79-32,117, similar to K.S.A. 79-32,117(vii) for contributions to the community service contribution tax credit program (K.S.A. 79-32,196), so this benefit is at least subject to taxation. Better yet, instead of creating two entirely new tax credit programs, why not fold this idea into the current community service contribution program, add some amount to the \$4.13 million cap for that program and avoid creating the additional bureaucracy needed to administer two new credit programs?

Neither tax credit has a sunset. Any new tax credit should contain a 3-to-5-year sunset provision, so the new credit is evaluated for effectiveness before it continues indefinitely.

The bill contains no rule and regulation authority, which at a minimum, will be needed to set forth the credit awarding and monitoring mechanism.