Division of the Budget
Landon State Office Building
900 SW Jackson Street, Room 504
Topeka, KS 66612

Kansas
Division of the Budget

Phone: (785) 296-2436
adam.c.proffitt@ks.gov
http://budget.kansas.gov

Adam C. Proffitt, Director

Laura Kelly, Governor

March 3, 2025

The Honorable Renee Erickson, Chairperson
Senate Committee on Education
300 SW 10th Avenue, Room 144-S
Topeka, Kansas 66612

Dear Senator Erickson:

SUBJECT: Fiscal Note for SB 252 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 252 is respectfully submitted to your committee.

SB 252 would rename the Tax Credit for Low Income Scholarship Program to the Kansas K-12 Students Scholarship Program. The bill would expand eligibility to any student: (1) who is enrolled in a public school in the school year when an educational scholarship is first sought; and (2) the student's public school operated in the immediately preceding school year had less than 50.0 percent of the students who were administered statewide assessments achieve a score that was either of the two highest achievement levels, as established by the Board of Education for the 2024-2025 school year. If the State Board of Education would change the scoring method for statewide assessments, the second new provision would no longer be required for the eligibility of the student.

The bill would remove from the definition of a "qualified school" the requirement that a nonpublic school must be recognized by a national or regional accrediting agency that is recognized by the State Board of Education for the purpose of satisfying the teaching performance assessment for professional licensure. The nonpublic school could still qualify if the school was accredited by the State Board of Education.

The bill would give the State Treasurer nonexclusive authority to market the Kansas K-12 Students Scholarship Program in the state. The State Treasurer would be able to report on the marketing initiatives in the agency's annual report.

The bill would provide that the Program would be managed by the State Treasurer instead of the State Board of Education. The bill would require that on or before the first day of the 2026 Legislative Session, the State Board of Education and the State Treasurer would jointly prepare and submit a report to the Legislature on the program. In subsequent years, only the State Treasurer would be required to prepare and submit this report. The bill would require on July 1, 2025, that the State Board of Education would provide a copy of all reports and records relating to the Program to the State Treasurer. Any scholarship granting organization (SGO) that applied and received a certificate of compliance for tax year 2025 from the State Board of Education prior to July 1, 2025, would not be required to reapply to the State Treasurer for tax year 2025.

The bill would increase the tax credit for contributions to SGOs from 75.0 percent to 100.0 percent, beginning in tax year 2025. In addition, the bill would increase the aggregate amount of annual tax year tax credits from $10.0 million to $20.0 million, beginning in tax year 2025. In any tax year beginning in tax year 2025 where the total amount of tax credits exceeds 75.0 percent of the aggregate tax credit limit, the Secretary of the Department of Revenue would increase the tax credit limit by 25.0 percent in the succeeding tax year.

The Department of Education indicates that the enactment of SB 252 would have no fiscal effect on its operations. The Division of the Budget notes that although the Program would be administered by the State Treasurer instead of the Department with the enactment of the bill, no new positions were added by the Legislature for the Department to manage the Program when it first started in FY 2015.

The State Treasurer estimates that the agency would require total expenditures of $81,600 from the State General Fund in FY 2026. Of this amount, $57,100 would be needed for 0.50 FTE Program Director position for salaries and wages. Also included in the total cost estimate is $4,500 for other operating expenditures, including computer equipment, software licensing, communications, postage, printing, travel, and other related expenditures. Finally, the agency estimates to market the Program, expenditures totaling $20,000 would be required. Also, the agency notes that the Program would utilize the agency's existing legal and administrative support during FY 2026, with a lesser degree of support on an ongoing basis. These ancillary services to the Program would be accommodated with the agency's existing budgetary resources in FY 2026 and in future years.

The Kansas Department of Revenue (KDOR) indicates that the bill would increase in the amount of contributions to SGOs that can be deducted beginning in tax year 2025, from 75.0 percent to 100.0 percent. Because of this increased deduction to 100.0 percent for eligible entities that pay privilege taxes, KDOR estimates that the bill would reduce revenues to the State General Fund by $10.0 million in FY 2026, where the overall cap would be reached at $20.0 million in claimed tax deductible contributions to SGOs. KDOR notes that considering the credits that are currently taken and the effect of increasing the among of credits to 100.0 percent of contributions, it would be unlikely that the provision to increase the cap beyond $20.0 million in future years would be triggered. In addition, KDOR reports that the provisions of SB 252 would require $1,450 in administrative costs, all from the State General Fund.

The Division of the Budget notes that the bill likely would allow taxpayers to fully utilize this tax credit program by claiming the full $20.0 million in tax credits in tax year 2025 (FY 2026). Because of the increased demand for scholarships with the expanded student eligibility, as well as the increase of the deduction to 100.0 percent, the Division estimates that the total amount of tax credits claimed would increase each year in the foreseeable future. If this scenario would occur, the tax credit limitation would increase to $25.0 million in tax year 2026 (FY 2027), $31.3 million in tax year 2027 (FY 2028), and $39.1 million in tax year 2028 (FY 2029). Relative to current law with the $10.0 million tax credit limitation, the bill would reduce State General Fund revenues by $10.0 million in FY 2026, $15.0 million in FY 2027, $21.3 million in FY 2028, and $29.1 million in FY 2029. Any fiscal effect associated with SB 252 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Gabrielle Hull, Department of Education
Lynn Robinson, Department of Revenue
John Hedges, Office of the State Treasurer