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Senate Education Committee

By Scott M. Gates, Director of Learning Quest

March 12, 2012 hearing on S.B. 153

Thank you for the opportunity to provide neutral written testimony on H.B. 153 which would allow third parties to match contributions made by participants in the Kansas Investments Developing Scholars (K.I.D.S.) Matching Grant program. The program just completed its sixth year in which the state provided matching grants of just over \$421,000 to just over 800 participants. We have had two years in a row of more than 20% growth in contributions by participants. I have attached a spreadsheet showing the annual participation in the program. Recently in 2010, the program was changed to provide one matching grant of up to \$600 for each beneficiary enrolled rather than requiring each account owner to divide the \$600 grant among multiple beneficiaries if they have accounts for more than one student. This change was endorsed by legislators when they made the K.I.D.S. program a permanent part of the Learning Quest 529 Education Savings Program in 2009 and implemented through regulations adopted by the Treasurer's Office.

Currently, third parties can own accounts for any beneficiary. As an account owner they would have the responsibility to select an appropriate investment and control contributions and withdrawals. Charities have the additional flexibility to open a pooled account without naming a single beneficiary until they are ready to distribute the funds to a student.

I'd like to thank Kansas Action for Children for their interest in improving the program by encouraging more struggling families to save for their students' futures and for meeting with me to ensure that this change fits within my office's structure for running the program. The Treasurer does not have a position on changing the policy for the program from rewarding the sacrificial savings of the income eligible account owner to also providing matching grants based on contributions by others. The bill would impose an administrative burden on our contractor, American Century Investments, to set up the restrictions for these accounts.

If the Committee decides to change the direction of the program to allow for restricted third party contributions (with or without a state match), our office would propose some amendments to clarify how we would administer the program. We would also like to strike the language added in subsection (h) beginning on page 4, line 6 to allow our office the flexibility to keep the details for administering these restrictions in our regulations rather than putting them in statute.

Thank you for entrusting my office with the responsibility of encouraging Kansas families to plan for their students' educational needs after high school. Please let me know if you have suggestions for improving either the K.I.D.S. Matching Grant Program or the Learning Quest 529 Education Savings Program.