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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

March 7, 2018

The Honorable Clay Aurand, Chairperson
House Committee on Education
Statehouse, Room 286-N
Topeka, Kansas 66612

Dear Representative Aurand:

SUBJECT: Fiscal Note for HB 2694 by Representative Hodge

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2694 is respectfully submitted to your committee.

HB 2694 would create the Community Leaders Service Act. The board of education of a school district could establish a Community Leaders Service Program for the students enrolled in its district, which would be in conjunction with a community organization in the district.

Any student enrolled in grades nine through 12 in a school district that has established a program could participate by enrolling in a community leaders service class. The class would be conducted in accordance with the agreement between the community organization and the district. The class would be taught by personnel of the community organization. Any student who passes the class is eligible for assignment to work with the community organization in providing services that do not require a professional license or certification to assist elderly individuals with activities of daily living. The school district would work in partnership with the community organization in assigning the student to work under the program. All work performed by the student would be supervised by the community organization.

Upon receiving a monthly work report from the community organization, the school district would submit payment to the community organization in an amount equal to the work rate multiplied by the number of hours reported by the community organization. Then, the community organization would deposit the funds, less the organization's administrative fee of up to 5.0 percent, in the respective college savings accounts for the students whose work hours were reported. The community organization would be required to provide each participating student with an account summary each month showing the hours worked the preceding month, the balance of money in such account and the administrative fee deducted by the community organization. After graduating from high school, a student would become eligible to use funds in the savings account for tuition and fees for a Kansas public or private postsecondary educational institution.

The Honorable Clay Aurand, Chairperson

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For purposes of Kansas adjusted gross income of an individual, the bill would add to the federal adjusted gross income, for all taxable years beginning after December 31, 2016, the amount of any charitable contribution made to the extent as the same is claimed as the basis for the credit allowed under KSA 2017 Supp. 72-4357 and is also claimed as an itemized deduction for federal income tax purposes. The bill would subtract from federal adjusted gross income, for all taxable years beginning after December 31, 2017, amounts deposited in a college savings account established on behalf of a taxpayer by agreement between a school district and a community organization.

According to the Department of Revenue, the addition modification to federal adjusted gross income in HB 2694 is already established in KSA 79-32,117o; as a result, there would be no fiscal effect for this provision. For the subtraction modification to federal adjusted gross income for amounts deposited in college savings accounts, this provision would reduce the state income tax liability for individuals. However, the Department does not have sufficient data to estimate the amount of reduction to state income tax revenues. The Department indicates that the bill would require \$30,750 from the State General Fund in FY 2019 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. However, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

School districts and community organizations that would choose to participate in the Program would experience costs associated with creating and teaching a community leaders service class. There would also be costs associated with administering student savings accounts. The bill would allow community organizations to retain up to 5.0 percent of the funds that would be remitted by the school district for deposit to the student savings accounts to offset some of these costs. However, there is insufficient information to estimate the number of school districts, community organizations and students that would choose to participate in the Program; as a result, a fiscal effect cannot be estimated. Any fiscal effect associated with HB 2694 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

cc: Dale Dennis, Education
Lynn Robinson, Department of Revenue