

STATE OF KANSAS



DIVISION OF THE BUDGET
LONDON STATE OFFICE BUILDING
900 SW JACKSON STREET, ROOM 504
TOPEKA, KS 66612

PHONE: (785) 296-2436
FAX: (785) 296-0231
larry.campbell@ks.gov
<http://budget.kansas.gov>

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

March 5, 2018

The Honorable Jim Kelly, Chairperson
House Committee on Financial Institutions & Pensions
Statehouse, Room 581-W
Topeka, Kansas 66612

Dear Representative Kelly:

SUBJECT: Fiscal Note for HB 2698 by Representative Highberger

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2698 is respectfully submitted to your committee.

HB 2698 would establish the Kansas Children's Savings Account Program as administered by the Office of the State Treasurer. The Kansas Children's Savings Account Program Trust Fund and the Kansas Children's Savings Account Program Expense Fund would also be established by the bill. Parents of children born in the state would have an opportunity to open an account in the program when applying for a birth certificate. Accounts would be established under section 529 of the federal internal revenue code and accounts could be accessed to pay for qualified higher education expenses. Monies deposited into accounts would be managed by a program manager selected by the Office of the State Treasurer. Anyone could contribute to accounts and contribution limitations would be set by the State Treasurer. Children eligible for any type of assistance as provided in KSA 39-709, and amendments thereto, would receive an initial deposit of \$250 into their accounts. The initial deposit of \$250 would come from unencumbered Temporary Assistance for Needy Families (TANF) monies. Account holders who make at least one contribution after the initial deposit amount would be eligible to receive an additional \$250 contribution from the Kansas Children's Savings Account Program Trust Fund each year.

The Kansas Children's Savings Account Program Trust Fund would be funded by governmental and private sources through grants, gifts or donations and State General Fund appropriations, if any. The Kansas Children's Savings Account Program Expense Fund would be funded from fees assessed on accounts by a program manager and some of those assessed fees would be remitted to the Office of the State Treasurer for program expenditures.

The bill would allow tax credits on corporate income taxes and privilege taxes imposed upon banks, trusts, savings institutions, loan associations and insurance companies. An amount equal to 70.0 percent of all donations to the Kansas Children's Savings Account Program Trust Fund would be credited against the tax liabilities of eligible taxpayers. Tax credits would not be allowed to exceed \$5.0 million in any given tax year.

Enactment of HB 2698 would have a fiscal effect on several state agencies including the Office of the State Treasurer, Department for Children and Families (DCF), Department for Health and Environment (KDHE), Insurance Department, Office of the State Bank Commissioner, Department of Administration, Board of Regents and Department of Revenue.

The Office of the State Treasurer estimates enactment of HB 2698 would increase expenditures by \$200,000 in FY 2018 and the agency would request that amount come from the State General Fund. The \$200,000 would be used as “seed money” to begin establishing the program. The Office estimates enactment of the bill would require the agency to hire an additional 1.00 FTE Public Service Administrator to administer the program with a base salary of \$47,022 to \$59,610. Over time, the program would become self-supporting by assessing fees on account holders. The agency did not estimate when the program would become self-sustaining.

According to the Department for Children and Families, enactment of HB 2698 would increase expenditures by \$95.5 million from all funding sources, including \$92.3 million from the State General Fund in FY 2019. For FY 2020, the agency estimates increased expenditures totaling \$28.4 million from all funding sources, including \$27.1 million from the State General Fund. DCF estimates that the bill would establish accounts for all children eligible for public assistance, not just TANF or Medicaid eligible children. DCF further notes that TANF monies are allowable for the purposes set forth in the bill. However, TANF monies could only be used for TANF eligible children. Non-TANF children that are eligible for public assistance are estimated by the agency to total 369,014 in FY 2019 (369,014 children X \$250 = \$92,253,500). This includes 261,107 current non-TANF cases and 107,907 new non-TANF cases. DCF estimates approximately 108,500 new non-TANF children per year in FY 2020 and beyond (108,500 X \$250 = \$27,125,000). The estimate assumed that non-TANF eligible children would have their accounts funded through the State General Fund, while TANF eligible children would have their accounts funded through TANF. The agency estimates 12,928 TANF children would be eligible for accounts in FY 2019, this includes 7,004 current TANF children and 5,924 new TANF children (12,928 children X \$250 = \$3,232,000). For FY 2020 and beyond, the agency estimates approximately 5,000 new TANF eligible children per year (5,000 children X \$250 = \$1,250,000).

KDHE estimates enactment of the bill would increase agency expenditures from the State General Fund by \$51,000 in FY 2018. In anticipation of the bill taking effect in FY 2019, KDHE would need to make modifications to the Vital Statistics Integrated Information System (VSIIS). Modifications would include posting a new form to the VSIIS, restructuring birth data fields to accommodate requirements of the bill and changing the issuance and filing processes which includes coding. Additionally, KDHE would need to develop an exporting process to send all birth records, if consent is given by the parent, to the Office of the State Treasurer to set up a savings account on behalf of the child.

The Insurance Department estimates the bill could reduce receipts going to the State General Fund as certain receipts relate to insurance premium taxes. However, the reduction in State General Fund receipts cannot be estimated. The Office of the State Bank Commissioner notes the agency assesses fees on certain financial institutions and those fees are assessed based on the total institutional assets. The bill would allow certain financial institutions to make donations to the Kansas Children’s Savings Account Program Trust Fund and those donation amounts, according to the State Bank Commissioner, would be deducted from institutional assets.

Reducing assets would result in a lower fee being assessed, causing a reduction in fee receipts collected by the Office.

Enactment of the bill would also allow authorized payroll deductions to be made from salary and wages of state officers and employees for the Kansas Children's Savings Program. The Department of Administration indicates this would increase agency expenditures by \$31,128 in FY 2018 and by \$5,760 in FY 2019, all from agency fee funds. Cost estimates are the result of making system changes, including ongoing costs related to initiating, reconciling and remitting on-going payroll deductions. Of the amounts estimated, the agency indicates \$5,760 would be ongoing and become a part of the agency's base budget. The estimated increase in expenditures could be absorbed within the agency's existing resources.

The Board of Regents indicates enactment of HB 2698 could encourage more families to save for postsecondary educational expenses. More families saving for postsecondary education could lead to more students attending postsecondary education in the future. If more students are enrolled in postsecondary education, universities may gain additional tuition revenue. However, the Board cannot estimate how the bill would affect enrollment at universities and, consequently, cannot estimate the bill's fiscal effect on tuition revenues.

The Department of Revenue estimates enactment of HB 2698 would decrease receipts to the State General Fund due to the corporate and privilege tax credits offered in the bill. However, the Department cannot estimate the reduction in State General Fund receipts. The Department would need to update certain tax forms and instructions resulting in a one-time cost of \$84,248 in FY 2019, all from the State General Fund. Any fiscal effect associated with HB 2698 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Chief Budget Officer

cc: Peter Northcott, Office of the Treasurer
Glenda Haverkamp, Insurance
Miki Bowman, Banking
Lynn Robinson, Department of Revenue
Dan Thimmesch, Health & Environment
Jackie Aubert, Children & Families
Kelly Oliver, Board of Regents
Colleen Becker, Department of Administration
Bob North, Commerce