

February 4, 2026

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 386 by Senate Committee on Education

In accordance with KSA 75-3715a, the following fiscal note concerning SB 386 is respectfully submitted to your committee.

SB 386 makes changes to the Tax Credit for Low Income Student Scholarship Program. The bill would increase the aggregate tax credits allowed per tax year from \$10.0 million to \$20.0 million beginning in tax year 2026. The bill would allow the Secretary of Revenue to determine that if the total amount of tax credits claimed would exceed 75.0 percent of the total tax credits available in any tax year, the aggregate limit would be increased by 25.0 percent for the succeeding tax year. However, in tax year 2027 and subsequent tax years, the aggregate limit could not exceed \$30.0 million. The maximum tax credit for each taxpayer would remain at \$500,000 for any tax year. The bill would allow Kansas to participate in identifying scholarship granting organizations for the federal government. The bill would also remove outdated statutory references.

The Department of Revenue estimates that SB 386 would reduce State General Fund revenues by \$800,000 in FY 2027, \$1.9 million in FY 2028, and \$2.9 million in FY 2029. The Department of Revenue estimates the enactment of the bill is not expected to increase credits allowed enough to trigger the provision to increase the cap above \$20.0 million within the forecast period. The Department estimates that approved tax credits are not expected to reach \$20.0 million until FY 2034.

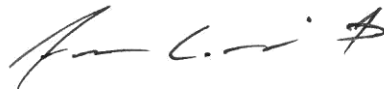
To formulate the estimate for increasing the cap, the Department reviewed approved tax credits and claimed tax credits for Tax Credit for Low Income Student Scholarship Program. The existing cap of \$10.0 million was reached in tax year 2025. Based on past data for the growth of approved and allowed credits this increased cap would increase approved credits by \$622,000 for tax year 2026. These would be realized in the following fiscal year and an average of 75.0 percent of these credits would be allowed against tax liability with the remaining would be carryforward to the next tax year.

To formulate the estimate if Kansas participates in identifying scholarship granting organizations for the federal government, the Department reviewed the Tax Credit for low Income Student Scholarship Program report for 2025 prepared by the Department of Education which identifies organizations for a similar state program. This report indicated 78.0 percent of low-income scholarships were provided by Kansas companies and a total of \$7.2 million in scholarships were awarded for the 2023-2024 school year. A regression model of growing scholarships estimates \$9.6 million being awarded by Kansas organizations for FY 2027. If these organizations are added to the federal program, these scholarships would be removed from federal adjusted gross income of their recipients. It is estimated this income would otherwise be taxed at 2.1 percent and participating in the federal program would reduce Kansas tax liability by \$202,000 in FY 2027, \$229,000 in FY 2028, and \$257,000 in FY 2029. The Department indicates the bill would have no fiscal effect on its operations.

The State Treasurer indicates the bill would require it to forward a list of federal scholarship granting organizations to the Secretary of the U.S. Treasury, but the bill does not specify which agency is to create the list. For the purpose of this fiscal note, the State Treasurer assumes that another agency will create the federal list, and it assumes that the Department of Education could most efficiently create the federal list, in connection with its collection of similar data under the existing Kansas Tax Credit for Low Income Student Scholarship Program Act. The State Treasurer indicates that the administrative costs to implement the bill are estimated to be negligible and could be absorbed within existing resources. However, if the State Treasurer is required to identify a list of federal scholarship granting organizations, then there would be additional administrative work to implement the bill, including coordination with organizations and potentially with other agencies. The State Treasurer is unable to estimate that potential fiscal effect of creating the federal list.

The Department of Education indicates the bill would have no fiscal effect on its operations. The Department of Education indicates that it would not be involved in identifying the list of federal scholarship granting organizations as there are different requirements compared to the existing Tax Credit for Low Income Student Scholarship Program. Any fiscal effect associated with SB 386 is not reflected in *The FY 2027 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish.

Adam C. Proffitt
Director of the Budget

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