

Approved: 3-14-2000

Date

MINUTES OF THE SENATE EDUCATION COMMITTEE.

The meeting was called to order by Chairperson Senator Barbara Lawrence at 9:00 a.m. on March 1, 2000 in Room 123-S of the Capitol.

All members were present except: Senators Bleeker, Kerr and Oleen - Excused

Committee staff present: Avis Swartzman, Revisor
Ben Barrett, Legislative Research
Jackie Breymeyer, Committee Secretary

Conferees appearing before the committee: Tim Shallenburger, State Treasurer
Bill Bates, Vice President, Government Affairs,
American Century Investments

Others attending: See Attached List

Chairperson Lawrence called the meeting to order and welcomed the State Treasurer, Tim Shallenburger, to the meeting. The State Treasurer was present to speak to:

HB 2655 - Kansas postsecondary educational savings program

State Treasurer Shallenburger distributed an attachment with proposed changes that represented clarification and technical changes to stay compliant. The attachment listed a brief summary of the changes. (Attachment 1) He went through the major revisions of the program. The penalty amount has been changed from 15% to 10% of the portion of the withdrawal constituting earnings. The reduction to 10% will allow the program to be more competitive with other states while still meeting the minimum penalty amount as described by IRC section 529. The age definition has been expanded and the age requirement for withdrawals has been eliminated. Non-traditional students are included. On page 5, lines 35-36, following 'citizen', insert the word 'resident' to read "must be a resident or citizen". This clarification is provided that an account owner or beneficiary must be a citizen or resident of the United States of America, to include overseas citizens. Page 9, lines 26-27 adds, "\$4,000 for a married couple filing a joint return." This eliminates the marriage penalty and allows a \$4,000 state tax deduction per beneficiary for married couples filing a joint return. The effective date of the bill will read, "after publication in the Kansas Register." Treasurer Shallenburger added that a video is available for anyone who would like to view it. He ended his testimony by stating the program isn't up and running yet, but there has been overwhelming response.

Bill Bates, American Century Investments, added his comments and testimony (Attachment 2). He stated American Century is very pleased to be the program manager for the new program. The changes as outlined in **HB 2655** will improve it greatly. He gave a short history of American Century, formerly 20th Century Investments. American Century has 82,000 Kansas customers which represents \$2.3 billion dollars of Kansas money. Approximately 1,000 Kansans are employed with the company.

Mr. Bates stated this is the best and most intelligent way to save for education and American Century is committed to making it one of the best programs in the nation. He added that all of the competitive plans do not have any type of age requirement. He was very pleased with the request for proposal (RFP) process. It attracted the best money managers in the nation. American Century was willing to go down to the smaller account levels when other providers were not. Assets can be captured on the high side which will allow them to subsidize the program on the low end. This is what was wanted. He ended by stating that this is a win win type of relationship for everyone.

Chairperson Lawrence stated final action would be taken on the bill Thursday.

CONTINUATION SHEET

MINUTES OF THE SENATE EDUCATION COMMITTEE, Room 123-S Statehouse, at 9:00 a.m. on March 1, 2000.

Senator Lee moved to amend HB 2655 with the changes submitted by Treasurer Shallenburger that would include, on page 5, lines 35-36 reinsertion of the word 'resident' to read, "must be a resident or citizen." Senator Langworthy gave a second to the motion.

The motion carried.

Senator Emert moved to amend HB 2655 to read "after publication in the Kansas Register." Senator Langworthy gave a second to the motion. The motion carried.

The minutes of February 17, 21, 22 & 23 were approved on a motion from Senator Emert, with a second by Senator Langworthy.

The meeting was adjourned.