STATE OF KANSAS

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Governor Jeff Colyer, M.D.
Larry L. Campbell, Chief Budget Officer

February 27, 2018

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2653 by Representative Hodge

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2653 is respectfully submitted to your committee.

HB 2653 would allow a qualified taxpayer to receive a new non-refundable income tax credit for 20.0 percent of the expenditures made by the taxpayer for tuition at an educational institution for the taxpayer's education or certification necessary for a new position within a unified school district. The new income tax credit would not be allowed until five years after the qualified taxpayer has completed additional education or certification and commenced work at the new position. Any unused tax credits would be allowed to be carried forward until the taxpayer has enough tax liability in order to claim the tax credit. The "qualified taxpayer" is required to be a Kansas resident, employed by a Kansas unified school district, has enrolled and paid tuition at an educational institution to gain education or certification for a new position within a unified school district, and has committed to working for a unified school district for a period of five years at the new position.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	($45,600,000)	($45,600,000)
Expenditure	--	--	$165,110	$165,110
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2614 would decrease State General Fund revenues by $45.6 million in FY 2019. The fiscal effect to state revenues during subsequent years would be as follows:

	FY 2020	FY 2021	FY 2022	FY 2023
State General Fund	($46,300,000)	($47,100,000)	($47,900,000)	($48,700,000)

To formulate these estimates, the Department of Revenue reviewed data from the U.S. Census Bureau's Longitudinal Employer Database in conjunction with the Bureau of Labor Statistics. There were 5,685 hires made in the 2015 calendar year attributable to elementary and secondary education teachers in Kansas. The Department of Revenue estimates that the average four-year tuition at a public university is approximately $39,880. If similar results occur in future years and if all qualified taxpayers fulfill the requirements of this bill, the bill would reduce State General Fund revenues by approximately $45.6 million in FY 2019 (5,700 qualified taxpayers X $40,000 tuition X 20.0 percent income tax credit). State General Fund revenues in the out years assume the continuation of annual growth rates of approximately 1.7 percent.

The Department indicates that the bill would require $165,110 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.

The Department of Education indicates that since the tax credit is not taken until five years after completion of education and employment in a new position, the cost of the tax credit would be small because the tax credit would only apply to tuition. The Department of Education does not have data to estimate the number of individuals that would qualify for this new tax credit to make a precise estimate of the fiscal effect.

The Department of Administration indicates that adjusting state income tax collections has the potential to have a fiscal effect on the amount of revenue collected from its debt setoff program. This program intercepts individual income tax refunds and homestead tax refunds and applies those amounts to debts owed to state agencies, municipalities, district courts, and state agencies in other states. Debts include, but are not limited to child support, taxes, educational expenses, fines, services provided to the debtor, and court ordered restitution. As the dollar amounts of refunds are increased, the amount available for possible debt setoffs is also increased. However, the Department is unable to make an estimate of the amount of debt setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with HB 2653 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,

Larry L. Campbell
Chief Budget Officer

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