

SESSION OF 2020

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2552

As Amended by House Committee on K-12
Education Budget

Brief*

HB 2552, as amended, would create the Kansas Reading Readiness Act (Act) and would create the Kansas Reading Readiness Program (Program) to be administered by the State Treasurer. The Program would allow for the creation of a Kansas Reading Readiness Account (Account) for certain third and fourth grade students.

Student Eligibility

The bill would determine student eligibility for the Program based on a student's performance on the state assessment for English language arts in the third or fourth grades. A student would be eligible for the Program if:

- The student scored in the lowest level of the assessment in the third grade; or
- The student scored in the lowest or second-lowest level in the fourth grade.

The parent of a student meeting those requirements would be able to choose to participate in the program. Once a student enters the Program and if the student's parent maintains an agreement with the State Treasurer, the student would remain eligible for the Program until graduating from high school.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

The bill would require a student's school district to notify the parent of any student who is determined to be eligible for the Program. The bill would require the notification to include the student's state assessment results, a written description of the Program, and the contact information of a school district employee who can answer questions about the Program.

Duties of the State Treasurer

The bill would require the State Treasurer to establish an Account for each student who participates in the Program. The State Treasurer would also be required to maintain an explanation of the Program on the State Treasurer's website, including the allowable uses of moneys in an Account, the responsibilities of a parent of a participating student, the effect of participation in the program by an eligible student with an individualized education program, the duties of the State Treasurer, the contact information of an employee of the State Treasurer who can answer questions about the Program, and a list of qualified private schools.

The bill would require the State Treasurer to notify the State Board of Education (State Board) on or before July 1 of each year of the names of each student participating in the Program, along with their resident school district and the qualified private school, if any, the student is attending in the current school year. The bill would also require the State Treasurer to notify the resident school districts on or before July 15 of the names of the students living in the district who are participating in the Program during the current school year.

Written Agreements

The bill would require the State Treasurer to enter into a written agreement with the parent of a participating student. The bill would require the written agreement to provide that:

- The student would participate in the Program as required by the Act;
- The State Treasurer would establish an Account for the student;
- The parent would be required to comply with all requirements of the Program; and
- The moneys in the Account could be spent only on authorized purposes.

The bill would specify that a written agreement between the State Treasurer and an eligible student's parent would expire on July 1 immediately following the date the agreement becomes effective. The bill would allow a written agreement to be renewed with the written consent of the parent and the State Treasurer by July 15, with the possibility of a 30-day extension at the request of the parent.

The bill would allow the State Treasurer to terminate a written agreement if:

- Moneys in the Account have been spent for non-approved purposes;
- The student is no longer eligible for the Program; or
- The student no longer participates in the Program in an approved manner.

Transfer of Moneys to an Account

The bill would establish the Kansas Reading Readiness Fund (Fund) to be administered by the State Treasurer. The State Treasurer would be required to establish an Account within the Fund once a written agreement is entered into by the State Treasurer and an eligible student's parent.

The bill would provide for the transfer of moneys to a student's Account. If a participating student is enrolled in a qualified private school, the Base Aid for Student Excellence (BASE) amount for the immediately preceding school year would be transferred to the Account. If a participating student continues to be enrolled in their resident school district, an amount equal to 0.484 multiplied by the BASE of the immediately preceding school year would be transferred.

The bill would specify that moneys deposited into a student's Account would not be taxable income for the purposes of determining Kansas income tax liability.

The bill would allow the State Treasurer to deduct a percentage from each transfer as reimbursement for administrative costs. The maximum allowable deduction would be:

- Up to 5.0 percent for the first two years moneys are transferred into a student's Account; and
- Up to 2.5 percent for each subsequent year moneys are transferred into a student's Account.

The bill would require the State Board to determine the amount of moneys to be transferred from the State General Fund (SGF) to the Kansas Reading Readiness Fund. The moneys transferred to the Fund would then be deducted from the State Foundation Aid payments made to school districts. Each school district with students participating in the Program would receive a deduction. The State Foundation Aid appropriation would be decreased by the total amount of deductions.

For the purposes of calculating a school district's State Foundation Aid, a student participating in the Program would be counted in the enrollment of the student's resident school district.

If a student's Account is closed by the State Treasurer, the bill would require the State Treasurer to certify the amount of moneys remaining in the Account to the State Board. The remaining moneys would then be transferred to the State Foundation Aid account of the SGF and distributed to the resident school district of the student.

Participation in the Program and Eligible Expenditures

The bill would require a student to participate in the Program by:

- Remaining enrolled in their school district and receiving additional services through evidence-based practices and programs requested or approved by the student's parent; or
- Enrolling in a qualified private school.

A participating student's resident school district would be required to provide those evidence-based practices and programs requested by the student's parent or such evidence-based practices and programs recommended by the school district and approved by the student's parent.

The bill would define "qualified private school" to be an accredited private school located in Kansas that:

- Is registered with the State Board;
- Provides instruction in the subjects required by state law;
- Is approved by the State Treasurer to participate in the Program; and
- Is accredited by the State Board or a national or regional accrediting agency that is recognized by the State Board.

The bill would also require the State Treasurer to audit one qualified private school each year, selected at random, to determine whether the qualified private school is complying with the law.

The bill would limit approved expenditures from an Account to:

- Payment of tuition and fees charged by a qualified private school;
- Textbooks and materials required by a qualified private school; and
- Evidence-based practices and programs requested or approved by a student's parent and provided by the student's resident school district.

The bill would require the State Treasurer to conduct annual audits of student Accounts to ensure compliance with the provisions of the Act.

Other Provisions

The bill would require enrollment of an eligible student in a qualified private school to be considered a parental placement under the federal Individuals with Disabilities Education Act.

The provisions of the Act would be subject to the Kansas Administrative Procedure Act and reviewable under the Kansas Judicial Review Act.

The State Treasurer would be required to adopt rules and regulations for the program on or before January 1, 2021.

The bill would specify that nothing in the Act would limit the independence of a qualified private school or make the actions of a qualified private school the actions of the State.

Background

The bill was introduced by Representatives Erickson and Williams.

In the House Committee hearing on the bill, proponent testimony was provided by Representative Erickson and representatives of the Fundamental Learning Center. Proponents generally emphasized the importance of students reading at grade level by the end of third grade and favored providing more options to students who are not reading at grade level. Written-only proponent testimony was provided by representatives of Fundamental Learning Center and the Kansas Policy Institute.

Opponent testimony was provided by representatives of Game On for Kansas Schools, the Kansas Association of School Boards, Kansas National Education Association, Kansas PTA, Unified School District (USD) 259 (Wichita), USD 501 (Topeka), and the United School Administrators of Kansas, as well as by a private citizen. Opponents generally opposed making public funding available for private schools. Written-only opponent testimony was provided by representatives of Stand-Up Blue Valley, USD 233 (Olathe), and USD 512 (Shawnee Mission).

No neutral testimony was provided.

The House Committee amended the bill to:

- Require qualified private schools to be accredited by the State Board or by an accredited agency recognized by the State Board;
- Clarify language regarding the provision of evidence-based practices and programs by a participating student's resident school district;

- Require any moneys remaining in a closed Account be distributed to the student's resident school district;
- Specify a written agreement between a student's parent and the State Treasurer would expire on July 1 and could be renewed by July 15. As introduced, the dates would have been July 31 and August 1, respectively;
- Require the State Treasurer to notify the State Board by July 1 of each year of the names of students participating in the Program during the current school year; and
- Require the State Treasurer to notify each resident school district by July 15 of each year of the names of the students living in the district who are participating in the Program during the current school year.

Fiscal Note

According to the fiscal note prepared by the Division of the Budget on the bill as introduced, the State Treasurer indicates implementation of the Program would require expenditures of \$239,150 and 2.0 FTE positions for FY 2021 and expenditures of \$144,300 for FY 2022. The agency estimated that minimum transfers of \$4.8 million to the Kansas Reading Readiness Fund would be necessary to fund the Program entirely through the allowable administrative reimbursement mechanism.

The Department of Revenue estimates that, absent the provision providing that deposits into a student's Account are not considered taxable income for the purposes of determining Kansas income tax liability, SGF receipts would increase between \$3.1 million and \$6.5 million in FY 2021 and between \$5.3 million and \$11.0 million in FY 2022.

However, the bill would specify that such deposits would not be considered taxable income and the State would receive no additional tax revenue. The Department of Revenue also indicates it would require \$90,253, all from the SGF, for FY 2021 to implement the bill and modify the automated tax system.

The Kansas State Department of Education (KSDE) states enactment of the bill would reduce State Foundation Aid payments to school districts. However, the reduction in aid to local units of government would be offset by an increase in other assistance payments to students participating in the Program. Additionally, the KSDE estimates the bill would require expenditures of \$5,000, all from the SGF, to modify the agency's system that manages state aid to school districts.

The Department of Administration indicates the State's accounting system is not currently designed to implement the Program with individual student accounts within the State Treasury. Additional staff and expenditures would be required to implement the Program, but an estimate of additional expenditures cannot be made. The Department of Administration states that if the State Treasurer tracked the individual student accounts through an external vendor, there would be no additional costs for implementation.

The Division of the Budget notes that because the bill would be effective upon publication in the statute book, it is unlikely the State Treasurer would have rules and regulations promulgated prior to the January 1, 2021, deadline. As a result, full participation by students and the corresponding fiscal effects may not be fully realized until FY 2022 or later.