

February 10, 2026

The Honorable Nick Hoheisel, Chairperson
House Committee on Financial Institutions and Pensions
300 SW 10th Avenue, Room 582-N
Topeka, Kansas 66612

Dear Representative Hoheisel:

SUBJECT: Fiscal Note for HB 2649 by House Committee on Financial Institutions and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2649 is respectfully submitted to your committee.

HB 2649 would enact the Kansas Empowerment Savings Program Act that would be effective on and after July 1, 2027. The bill creates the Kansas Empowerment Savings Program Board of Trustees within the Office of the State Treasurer. The bill would require the Board to design, establish, and operate the Kansas Empowerment Savings Program which would be an automatic-enrollment payroll deduction in a traditional or Roth individual retirement account, which would be a defined contribution plan. The membership of the Board would include the State Treasurer or designee; Executive Director of the Kansas Public Employees Retirement System or designee; three members of the public, one appointed by the Governor, one appointed by the President of the Senate, and one appointed by the Speaker of the House of Representatives, who have expertise in investment or retirement savings plan administration; one member appointed by the Governor who would represent employers; and one member appointed by the State Treasurer who would represent the interests of employees or program participants. The State Treasurer or designee would serve as Chairperson of the Board, and the Board could appoint other officers to carry out the board's duties and responsibilities. The Board would meet at least four times each year. Members of the Board would not receive compensation or subsistence allowances, but each member would be entitled to receive reimbursement for mileage and expenses. Members of the Board would serve at the pleasure of the member's respective appointing authority, and members could be removed from the Board for certain reasons.

The bill would require Board members, staff, and agents to discharge their duties as fiduciaries for employee participants and beneficiaries. The bill includes investment requirements, prohibitions, and powers and duties of the Board and the program administrator. The Board could enter into intergovernmental agreements with the Secretary of State, Department of Revenue, Department of Labor, and any other state agency that the Board considers appropriate to provide outreach, technical assistance, or compliance services for the purposes of the bill. The Board could also coordinate with the efforts of other states for legal guidance for similar retirement savings programs.

The Board would design the Kansas Empowerment Savings Program, that would require certain employers to automatically enroll employees in the program and to contribute 5.0 percent of each employees' wages to the program. Employees may elect not to participate or may select a different level of contribution. Contributions would be invested in investments established by the Board. Investment options must include a life cycle fund with a target date based upon the age of the employee and may include one or more other types of investments choices. The bill would establish other requirements for the operation of the program and empower the Board to establish rules and regulations, policies, and other procedures for the program. On and after January 1, 2028, an employee who resides in Kansas and is employed by an employer is eligible to participate in the program. An employer would be required to comply with all program requirements. An employee who participates in the program is fully vested at all times in the employee's account under the program.

The bill would require the Board to contract with not more than three entities to act as program administrators. For the first three years of operation of the program, total annual fees would be capped at 1.0 percent of the total value of the program's assets. After three years, the fees would be based upon a study conducted by the Board to determine a fee rate that is fair to employers, employees, and the state. The bill would provide for limitations on liability for the program and participating employers.

The bill creates the Kansas Empowerment Savings Program Fund in the State Treasury that would be administered by the State Treasurer. The fund would consist of any funds appropriated by the Legislature; monies transferred to the fund from the federal government, other state agencies, or local governments; monies from the payment of fees, penalties, or other monies due to the Board; gifts, grants, or donations made to the Board; and gifts, grants, donations, or investments concerning the program received by the State Treasurer. The State Treasurer is authorized to invest monies from the Kansas Empowerment Savings Program Fund that are not needed to meet the obligations of the program, and all interest earnings and investment income would be retained in the fund.

The bill would permit the State Treasurer to pay the administrative costs associated with the creation and management of the program until it becomes self-sustaining. Any administrative costs paid by the State Treasurer would ultimately be repaid from the Kansas Empowerment Savings Program Fund; the bill specifies that any private or federal monies received in order to implement the program until the fund is self-sustaining would not be required to be repaid unless those monies were offered contingent upon the promise of repayment. The bill would exclude

individual account information under the program from mandatory disclosure under the Kansas Open Records Act. The bill would require the Board to distribute certain information to employers about the Program and to submit reports to the Governor and specified legislative committees.

The State Treasurer indicates that HB 2649 would require \$339,000 in FY 2027 and \$789,000 in FY 2028 to implement the bill. The funding source was not identified; however, if this initiative is funded by the State Treasurer Operating Fund, then unclaimed property receipts would not be credited to State General Fund by the amount expended. The estimates shown above assume that the program would ultimately operate as part of a multi-state consortium. However, another option would be to operate an independent standalone program, which offers potential benefits to the state, but would have higher costs. The above estimates also assume that the program could be fully implemented by the beginning of FY 2028; but required program design and procurement processes could require a longer timeline.

Even with the program administrator performing much of the day-to-day administrative work, the bill would require the State Treasurer to hire additional employees to assist with the activation of the Board and to lead the evaluation of various options for program implementation; assist with the creation of rules and regulations, and standards; and to perform other administrative tasks. At minimum, this would require the hiring of 1.00 new FTE program director position with an estimated annual salaries and wages cost of \$120,000. Computer workstation setup, software licensing, phone and jack fees, postage and printing, office furniture, travel, milage reimbursement and the rental of additional office space would likely be needed for this new position at a cost of \$19,000 per year. Consultants would likely be needed to perform administrative and legal requirements of the bill during the implementation phase for program and investment consultants would be needed. The State Treasurer indicates it would require \$200,000 for one-time implementation costs during the first year of the program, based on similar costs incurred in connection with recent implementations of new unclaimed property software and transitioning to a new vendor for the Kansas Postsecondary Education Savings Program; however, actual implementation costs and the required implementation timeline may vary considerably from this estimate.

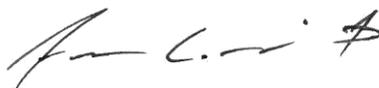
After the initial year, the State Treasurer indicates the program would require ongoing expenses for educational outreach, marketing, and training (\$250,000 per year), investment consulting (\$50,000 per year), and outside legal/audit support and Board insurance, including any administrative expenses not paid for by contracted program administrators (\$100,000 per year). These estimates are included in the total cost noted above; however, actual costs could vary considerably depending on the specific program. Based on initial research, the State Treasurer anticipates that any program management contract would require a minimum fixed annual fee to be paid to the program manager, tentatively estimated at \$250,000 per year (for the first several years of operation, and declining marginally over time), if the program is a part of a multi-state consortium. These fixed fees could potentially be approximately \$1.0 million if the program is operated on a standalone basis. These are tentative estimates and the actual fee amount could vary widely depending on the specific program design.

The State Treasurer anticipates that these fixed fees would ultimately be paid by account owners, although account-owner payments would be minimal in the program's early years while total accounts and assets under management would be low (especially given the bill's requirement that fees during the first three years must be capped at 1.0 percent of assets in an account). Therefore, the estimate above includes the entire \$250,000 estimate as an obligation of the state. Over time, these fees would increasingly be paid by individual account owners as the total number of accounts became sufficient to cover the minimum fixed fee. The timeline by which the program could become self-sustaining is unknown, it would depend on market interest in the program and revenue collected from fees.

The Department of Labor indicates the bill would require \$3.0 million from the State General Fund in FY 2027 and future fiscal years to implement the bill. The bill states that the Board would set fair and just penalties for employers who fail to comply with the requirements of the program and would work with the Department to enforce compliance. The Department is unclear whether proceeds from investments and/or penalties will be allowable distributions to agencies assisting with the oversight of the program. It is also unclear what enforcement of rules and regulations would entail since the Board is directed to write rules and regulations after inception of the bill. At a minimum, the Department would be responsible for enforcement and to create a process for appeals. In comparing this process to the unemployment appeals process, the annual cost would be approximately \$3.0 million and would require 37.00 FTE positions. The Department indicates that all employers would be affected by the provisions of the bill, including local governments, school districts, water districts, etc. All employers will be subject to offering employees the Kansas Empowerment Savings Program and it is unclear if there is a cost to employers for this program.

The Department of Revenue indicates the bill would have no fiscal effect on its operations. The Secretary of State indicates it is unable to estimate the fiscal effect on its operations because the intergovernmental agreements would have to be entered into to make a cost assessment. Any fiscal effect associated with HB 2649 is not reflected in *The FY 2027 Governor's Budget Report*.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
John Hedges, Office of the State Treasurer
Jennifer Cook, Office of the Secretary of State
Dawn Palmberg, Department of Labor