

February 27, 2026

The Honorable Sean Tarwater, Chairperson
House Committee on Commerce, Labor and Economic Development
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Tarwater:

SUBJECT: Fiscal Note for HB 2689 by Representative Osman, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2689 is respectfully submitted to your committee.

HB 2689 would enact the Kansas Tri-Share Child Care Act. The bill would create the Tri-Share Child Care Matching Program within the Kansas Office of Early Childhood to be administered by the Director of Early Childhood. The Director would be authorized to adopt rules and regulations as necessary to implement the Act. Costs for child care provided by duly licensed child care facilities in the state could be equally shared among eligible, participating employers, eligible parents, and the state. The bill would state that the purpose of the program would be to further the affordability and availability of child care for parents in Kansas. The Director would be required to conduct an evaluation of the program for a report, as detailed in the bill, to be submitted to the Governor and Legislature by December 31, 2029.

The bill would make definitions for the Act and outline the requirements for the program and for the Director. Eligible children would be those who have not attained the minimum age at which a child is eligible to enter kindergarten or elementary school pursuant to Kansas law, who has a parent who is an eligible employee, whose household income is not less than 325.0 percent of the federal poverty level (FPL), who resides in the state, and who has been approved for participation in the program by the Director. Eligible employees would be those who are employed by an eligible employer participating in the program, resides in the state, has a principal workplace located in the state, is a parent of an eligible child, has a household income of not more than 325.0 percent of the FPL, and has been approved by the Director for participation in the program. An eligible employer would mean a person that employs another person, has a physical business facility located in Kansas as the principal workplace of the person's employees, and whose

application to participate in the program has been approved by the Director. Employers would apply to the Director to participate in the program and would agree to pay one third of eligible child care costs charged by an eligible child care provider for services during a specified period to an eligible parent or parents who are employees of such employer. The bill would include requirements for participating parents/employees, employers, and child care providers.

The bill would establish the Kansas Tri-Share Child Care Matching Program Fund to be administered by the Director. The fund would be used for reimbursing eligible child care providers for child care services pursuant to the bill. Payments to the Director for child care would be arranged as specified in the bill for the one-third shares from the parent and employer. The remaining one-third to be paid by the state would be subject to appropriations and paid by the Director from the fund.

Upon request from an employer, all payments made by the employer would be certified by the Director to the Secretary of Revenue for a tax credit, which would be allowed against the tax liability imposed under the Kansas Income Tax Act for certified payments by an eligible employer in an amount equal to 50.0 percent of such payment. The amount of such credit awarded for each eligible employer would be capped at \$100,000 per tax year and the total amount of all credit allowed would be capped at \$10.0 million for each tax year.

The Kansas Office of Early Childhood estimates that enactment of HB 2689 would increase State General Fund expenditures by \$12.7 million in FY 2027 and \$12.0 million in FY 2028. The Office notes that families participating in the program would include those with a household income between 85.0 of the state median income and 325.0 percent FPL. These families do not qualify for child care subsidy. A review of current family share cases found only one case (out of approximately 9,000) in which the family share might be greater than the family portion under the Tri-Share Program. The Office also notes that the Tri-Share Program would only cover children five and under, an additional family share could be required if other children in the family qualify for child care subsidy. The Office estimates that the family portion would equal the employer contribution of \$10.0 million. The state would be required to provide one-third of the funding and based on the estimated participation these funds would total \$10.0 million. As the expected participants exceed the income level for the Child Care and Development Fund child care subsidy, the funds would need to come from state sources.

To administer the program, the Office estimates a total of 22.00 positions would be needed. This includes 1.00 Program Administrator to oversee the program, duties would include preparing and presenting reports, monitoring participation and funding, and recruiting participants. There would be an estimated 11.00 positions needed to determine initial and ongoing eligibility, ensure child care providers are licensed, monitor receipt of payments from employers and employees, and authorize the disbursement of funds to child care providers. A total of 2.00 positions would be necessary to maintain and extract data related to eligibility systems, payments, and as needed for other required reports and monitoring. In addition, 1.00 position would be needed to follow up and collect payments not received from employers or employees; 4.00 positions, including one supervisor, would be needed to receive and record incoming payments (from employee and employer) and ensure they are properly posted to the correct account and deposited; and 3.00

positions, including one supervisor, would be necessary to process and issue monthly payments to child care providers. The estimated salaries and benefits for all positions would total \$1.46 million.

Other annual operating costs are estimated at \$269,958 and would include expenditures related to travel, supplies, communications, etc. The Office also anticipates \$1.0 million in the first year to develop, modify and maintain a data system to track program eligibility and payments. Ongoing maintenance costs for this system are estimated at 30.0 percent of the initial cost.

The Kansas Department of Revenue states that the bill would allow for a tax credit for 50.0 percent of certified payments from employers to a child care provider under the Kansas Tri-Share Program. The credit would be refundable and capped at allowing only \$10.0 million in credits per year. The agency expects the cap to be easily reached and states if child care costs are \$10,000 per year on average, credits would only be allowed for employers contributing to the child care of 6,000 children. Tax year 2024 returns were used to estimate over 70,000 eligible dependents in households meeting the program's income requirement based on FPL guidelines. The credit is available starting in tax year 2026, this would be seen on corporate returns filed in late 2027 and having the first impact in FY 2028. The agency estimates the full \$10.0 million in tax credits for FY 2028 and FY 2029. In addition, the agency anticipates increased costs totaling \$223,693 to implement the bill provisions. This includes the addition of 1.00 position with salary and benefits totaling \$83,103, other administrative costs of \$5,770, business support services costs of \$8,000, quality assurance costs of \$36,820, IT tax application costs of \$56,000, and other IT channel costs of \$34,000.

The Kansas Department of Health and Environment, the Department for Children and Families, and the Kansas State Department of Education do not anticipate any fiscal effect as a result of enactment of the bill. Any fiscal effect associated with HB 2689 is not reflected in *The FY 2027 Governor's Budget Report*.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Christi Smith, Office of Early Childhood
Amy Penrod, Department of Health & Environment
Kim Holter, Department for Children & Families
Lynn Robinson, Department of Revenue
Gabrielle Hull, Department of Education