

February 10, 2026

The Honorable Kellie Warren, Chairperson
Senate Committee on Judiciary
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Senator Warren:

SUBJECT: Fiscal Note for SB 426 by Senate Committee on Judiciary

In accordance with KSA 75-3715a, the following fiscal note concerning SB 426 is respectfully submitted to your committee.

SB 426 would create the Transparency in Consumer Legal Funding Act. The bill outlines components that would be required to be included in a consumer legal funding contract, including being written in a clear manner, being completely filled in when presented to the consumer for signature, containing a right of rescission with certain parameters, and containing a statement of the maximum amount the consumer may be obligated to pay under the contract. A consumer legal funding contract would be required to contain certain disclosures on the front page of the document, including language specifying the funding amount to be paid to the consumer, an itemization of one-time charges, and a payment schedule. Within the body of the contract, the bill would require certain information, including cancellation terms and a warning to not sign the contract before reading it in its entirety. The bill would require the contract to contain a written acknowledgment by the attorney retained by the consumer that attests to certain information, including that the attorney has reviewed the mandatory disclosures and that all proceeds of the legal claim will be disbursed through a trust account of the attorney or a settlement fund. If such acknowledgments are not present, the bill would declare such contracts null and void.

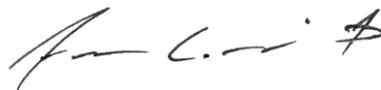
The bill would prohibit prepayment penalties or fees from being charged on consumer legal funding, specify that a consumer legal funding transaction is not a loan, and outline how the contracted amount could be calculated and disclosed. The bill would prohibit a consumer legal funding company from certain acts, including paying, offering to pay, or accepting commissions or referral fees; advertising false or misleading information; having any influence with respect to the conduct of the underlying legal claim; or knowingly paying or offering to pay for court costs,

filing fees, or attorney fees during or after the resolution of the legal claim using funds from the transaction. The bill would also prohibit any attorney retained by a consumer from having a financial interest in a consumer legal funding company. Only the consumer would be authorized to execute a consumer legal funding agreement unless they lack the legal capacity to execute a contract. All consumer legal funding companies could not accept any funds from a foreign government or foreign adversary. The bill outlines penalties for violations of the Act, including statutory damages not to exceed \$10,000 per violation or three times the actual damages, whichever is greater.

The Office of Judicial Administration indicates enactment of the bill could increase the number of cases filed in district courts because it allows civil actions to be filed for violations. This would increase the time spent by district court judicial and nonjudicial personnel in processing, researching, and hearing cases. The bill could also result in the collection of docket fees in cases filed under the provisions of the bill, which would be deposited into the State General Fund. However, a precise fiscal effect cannot be estimated.

The Office of the Attorney General indicates enactment of the bill would not have a fiscal effect on the agency. Any fiscal effect associated with SB 426 is not reflected in *The FY 2027 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. Proffitt
Director of the Budget

cc: Trisha Morrow, Judiciary
Matt Bingesser, Office of the Attorney General