

Postsecondary Financial Aid—Uniform Interest Rates and Low-income Family Postsecondary Savings Account Incentive; SB 50

SB 50 establishes uniform interest rates, repayment schedules, and fees for all scholarships, grants, or other student financial aid programs established in law (*Kansas Statutes Annotated* Chapter 74, Article 32) under the authority of the State Board of Regents (Board). The bill also changes the Low-income Family Postsecondary Savings Accounts Incentive (KIDS) Program by reducing the number of grants available, reducing expenditure auditing requirements, and sunsetting the program on January 1, 2028.

Uniform Interest Rates for State Board of Regents Financial Aid Programs

Uniform Interest and Accrual

The bill establishes a uniform rate of 5.0 percent per year for all repayments arising from the following conditions:

- Any scholarship, grant, or other student financial aid program established in law and under the authority of the Board or under any agreement entered into pursuant to any such scholarship, grant, or other student financial aid program; and
- The scholarship, grant, or student financial aid program requires the payment of interest either in the term of the program or under the agreement entered into by the recipient.

The bill also prohibits interest from accruing prior to the date at which the award recipient becomes obliged to repay the scholarship, grant, or student financial aid as determined by the Board.

The bill retroactively applies these provisions to all scholarship, grant, and other student financial aid awards made prior to July 1, 2025, but does not impose an interest rate:

- In excess of the interest rate specified in either the applicable statute at the time an individual received the aid relating to the repayment obligation or the agreement between the individual and an educational institution, a sponsor, or the Board; or
- Upon amounts owed to the Board by educational institutions or sponsors, or amounts owed to educational institutions or sponsors by the Board.

The bill specifies that the changes in interest rate and accrual date do not grant any right, claim, or entitlement of an individual to a refund of payments made before July 1, 2025.

[*Note:* The programs affected by these changes include the Reserve Officers' Training Corps (ROTC) Service Scholarship, Osteopathic Medical Service Scholarship, Optometry

Service Scholarship, Nursing Service Scholarship, Teacher Service Scholarship, Teacher Service Scholarship, Ethnic Minority Fellowship, Advanced Practice Registered Nurse Service Scholarship, Workforce Development Loan, Nurse Educator Service Scholarship, Promise Scholarship, and Adult Learner Grant.]

State Board of Regents Recovery and Application Fees

The bill authorizes the Board to recover reasonable costs for scholarship, grant, and other student financial aid collections; those costs include, but are not limited to, court costs, attorney fees, and collection agency fees.

The bill also authorizes the Board to charge fees for processing applications and generally administering student financial assistance programs. The fees are set by the Chief Executive Officer of the Board in an amount required to recover all or part of the direct and indirect costs of administering the programs. Any fees charged are deposited in the State Treasury and credited to the Financial Aid Services Fee Fund of the Board.

Student Agreements—Adult Learner Grants

The bill changes the student agreements entered into under the Adult Learner Grants to be between the student and the Board. [Note: Under previous law, a student entered into an agreement with their postsecondary educational institution.]

Conforming Amendments

The bill makes conforming amendments to align the interest rate and accrual date of each affected scholarship, grant, or other student financial aid program with the provisions of the bill.

Low-income Family Postsecondary Savings Accounts Incentive

Program Applications

The bill changes the maximum number of approved applications for the Low-Income Family Postsecondary Savings Accounts Incentive (KIDS) Program for calendar years (CYs) 2025, 2026, and 2027 from 300 to 250 per congressional district (district) and from 1,200 to 1,000 applications per year for the statewide maximum. [Note: Continuing law authorizes the State Treasurer (Treasurer), if the maximum number of applications from a district are not approved, to approve applications from other districts to the 1,000 application maximum.]

The bill prohibits the Treasurer from accepting or approving new applications for the KIDS Program after CY 2027.

Auditing Requirements

The bill removes requirements that the Treasurer prospectively approve any withdrawals under the KIDS Program and requires audits of withdrawals of matching funds under the Program.

The bill requires the Treasurer to audit at least 10 withdrawals of matching funds each year for CYs 2025, 2026, and 2027 and determine whether such withdrawals were qualified or non-qualified.

The bill requires the Treasurer to notify any participant who is selected for an audit and request the participant provide, in the manner and form required and on or before a deadline specified by the Treasurer, any documentation and information deemed necessary by the Treasurer to facilitate said audit.

The bill deems any failure to comply with the audit as indicating a non-qualified withdrawal and the Treasurer will provide notice thereof to the Kansas Department of Revenue and other appropriate taxing authorities. The Treasurer's determination of an unqualified withdrawal will be considered conclusive, with the exception of obvious error.

A participant found to have made a non-qualified withdrawal is required to pay back the portion of withdrawn funds on payment terms established by the Treasurer. Should a participant not pay back the funds within the allotted time, the bill establishes an interest rate of 5.0 percent per year, compounded monthly, and authorizes the Treasurer to exercise enforcement available to the Treasurer to recover said funds. This requirement is in addition to, and not in substitution for, any other fine, penalty, interest, or other consequence otherwise imposed by law in connection to withdrawals from the KIDS Program.

The bill requires all refunds and interest to be credited to the State General Fund.

Reporting

The bill changes the annual reporting requirement for the Program to report the number and results of any audits performed each year to the Governor and Legislature on or before January 31 in 2026, 2027, and 2028.