SESSION OF 2025

SUPPLEMENTAL NOTE ON SUBSTITUTE FOR SENATE BILL NO. 281

As Recommended by Senate Committee on Government Efficiency

Brief*

Sub. for SB 281 would change 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.

Program Applications

The bill would change the maximum number of approved applications 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:* Statute states that if the maximum number of applications from a district are not approved, then the State Treasurer (Treasurer) may approve applications from other districts to the 1,000 application maximum.]

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

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*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 https://klrd.gov/

Auditing Requirements

The bill would remove requirements that the Treasurer prospectively approve any withdrawals under the KIDS Program and would require withdrawals of matching funds under the Program be subject to audit as provided for in the bill.

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

The bill would require 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 would deem any failure to comply with the audit as being a nonqualified withdrawal and the Treasurer would provide notice thereof to the Kansas Department of Revenue and other appropriate taxing authorities. The Treasurer's determination of an unqualified withdrawal would be considered conclusive, with the exception of obvious error.

Participants who are found to have made a nonqualified withdrawal would be required to pay back the portion of withdrawn funds on a timeframe established by the Treasurer. Should a participant not pay back the funds within the allotted time, the bill would establish a rate of 5.0 percent per year, compounded monthly, and authorize the Treasurer to exercise enforcement available to them to recover said funds. This requirement would be in addition to, and not in substitution to, any other fine, penalty, interest, or other consequence otherwise imposed by law in connection to withdrawals from the KIDS Program.

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

Reporting

The bill would change 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 for 2026, 2027, and 2028.

Effective Date

The bill would be in effect upon publication in the *Kansas Register.*

Background

The bill was introduced by the Senate Committee on Ways and Means at the request of Senator Billinger.

Senate Committee on Government Efficiency

In the Senate Committee hearing, **proponent** testimony was provided by representatives of Interhab, Kansas Council on Developmental Disabilities, and Office of Kansas State Treasurer. The proponents generally stated that the bill would free up more staff time at the Treasurer's Office to accomplish other goals and tasks of the agency as well as help further promote Kansas ABLE Savings Accounts.

Written-only proponent testimony was provided by a private citizen.

Opponent testimony was provided by a private citizen. The opponent generally stated that the KIDS program works well and is important for those families and that doing away with the program so abruptly will hurt those who need and use it.

No other testimony was provided.

The Senate Committee amended the bill to remove the contents of the bill, as introduced, and insert new language pertaining only to the KIDS program. The amended language would prohibit new applications after calendar year 2027, change application maximums, and allow for reduced auditing requirements for the Office of Kansas State Treasurer.

The Senate Committee recommended a substitute bill be adopted.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Office of the State Treasurer estimates an increase in State General Fund (SGF) revenues of $250,000 in FY 2026 and $295,000 in FY 2027 due to decreased transfers from the SGF to the KIDS Program. The agency also estimates a decrease of $250,000 in FY 2026 and $295,000 in FY 2027 from agency fee funds also due to the elimination of the KIDS Program.

The Office of the State Treasurer further estimates that the elimination of the KIDS Program will not impact the number of agency staff but will provide approximately 852 staff-hours annually that could be devoted to other agency operations.

The Board of Regents and Department of Revenue both state that enactment of the bill will have no fiscal effect on their agencies.

Any fiscal effect associated with the bill is not reflected in *The FY 2026 Governor's Budget Report*.

An updated fiscal note was not available when the Senate Committee took action on the substitute bill.

State treasurer; low-income family postsecondary savings accounts incentive program