HOUSE BILL No. 2096

By Representative Highberger

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AN ACT concerning the state treasurer; relating to financial institutions; establishing the Kansas children's savings account program; Kansas children's savings account program expense fund; providing an income tax credit for donations to the Kansas children's savings account program trust fund; amending K.S.A. 65-2422d and repealing the existing section.

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Be it enacted by the Legislature of the State of Kansas:

New Section 1. The provisions of sections 1 through 9, and amendments thereto, shall be known and may be cited as the Kansas children's savings account program. The purpose of the Kansas children's savings account program is to authorize the establishment of savings accounts to facilitate the saving of private moneys by individuals and families, together with any authorized state moneys, to assist children in meeting the expenses incurred in availing themselves of higher education opportunities, to foster expectations of postsecondary education from an early age and to provide guidelines for the maintenance of such accounts.

New Sec. 2. As used in this act:

- (a) "Account" or "Kansas children's savings account" means an individual savings account established in accordance with this act;
- (b) "account owner" means the person or persons who enter into a Kansas children's savings account agreement pursuant to this act. If the account is owned by one individual, the account owner may also be the designated beneficiary of the account. An account owner shall not be allowed to withdraw any third-party moneys contributed to the account, except for permitted purposes under this act;
- (c) "act" means the provisions of sections 1 through 9, and amendments thereto;
- (d) "designated beneficiary" means, with respect to an account, the individual designated at the time the account is established as the individual whose higher education expenses are expected to be paid from the account or in the case of a change in beneficiaries, the individual who is the new beneficiary;
- 34 (e) "financial organization" means an organization authorized to do 35 business in the state of Kansas and is:
 - (1) Licensed or chartered by the commissioner of insurance;

- (2) licensed or chartered by the state bank commissioner;
- (3) chartered by an agency of the federal government; or
- (4) subject to the jurisdiction and regulation of the securities and exchange commission of the federal government;
- (f) "institution of postsecondary education" means any institution of postsecondary education that is accredited by a nationally recognized accrediting agency or association, offers credit toward an undergraduate or graduate degree or other recognized postsecondary education credential, and qualifies as an eligible institution for federal student aid programs;
- (g) "Kansas children's savings agreement" means an agreement between the state treasurer and the account owner or owners:
- (h) "management contract" means the contract executed by the state treasurer and a financial organization selected to act as a depository and manager of the program;
- (i) "member of the family" means the same as defined in section 529 of the federal internal revenue code:
- (j) "program" means the Kansas children's savings account program established pursuant to this act;
- (k) "program manager" means a financial organization selected by the state treasurer to act as a depository and manager of the program;
 - (l) "qualified higher education expenses" means any qualified higher education expense included in section 529 of the federal internal revenue code;
 - (m) "qualified withdrawal" means a withdrawal from an account to pay the qualified higher education expenses of the designated beneficiary of the account;
- (n) "nonqualified withdrawal" means a withdrawal from an account, but does not mean:
 - (1) A qualified withdrawal;
- (2) a withdrawal made as a result of the death or disability of the designated beneficiary of an account; or
 - (3) a rollover distribution; and
 - (o) "rollover distribution" means a rollover distribution as defined in section 529 of the federal internal revenue code.
- New Sec. 3. (a) (1) The state treasurer shall implement and administer the program under the terms and conditions established by this act.
- (b) In furtherance of such implementation and administration, the state treasurer shall have the authority and responsibility to:
- (1) Develop, implement and administer the program in a manner consistent with the provisions of this act, through the adoption of rules and regulations;
 - (2) engage the services of consultants on a contract basis for

rendering professional and technical assistance and advice;

- (3) seek rulings and other guidance from the United States department of the treasury and the federal internal revenue service relating to the program;
- (4) make changes to the program required for the participants in the program to obtain the federal income tax benefits or treatment provided by section 529 of the federal internal revenue code;
- (5) charge, impose and collect reasonable administrative fees and service charges in connection with any agreement, contract or transaction relating to the program, not to exceed the administrative fees and service charges imposed for the Kansas postsecondary education savings program, K.S.A. 75-640 through 75-648, and amendments thereto;
 - (6) develop marketing plans and promotion material;
- (7) establish the methods by which the funds held in accounts shall be dispersed;
- (8) establish the method by which funds shall be allocated to pay for administrative costs;
- (9) do all things necessary and proper to carry out the purposes of this act; and
- (10) evaluate the Kansas children's savings account program annually, and make a report thereon to the governor and legislature for the period.
- New Sec. 4. (a) The state treasurer may implement the program through use of financial organizations as account depositories and program managers.
- (b) The state treasurer may solicit proposals from financial organizations to act as depositories and managers of the program, including any financial organization that is the program manager for the Kansas postsecondary education savings program, K.S.A. 2018 Supp. 75-640 through 75-648, and amendments thereto. Financial organizations submitting proposals shall describe the investment instrument that will be held in the accounts. The state treasurer shall select as program depositories and managers the financial organization, from among the bidding financial organizations, that demonstrates the most advantageous combination, both to potential program participants and this state, of the following factors:
 - (1) Financial stability and integrity of the financial organization;
 - (2) the safety of the investment instrument being offered;
- (3) the ability of the investment instrument to track increasing costs of postsecondary education;
 - (4) the ability of the financial organization to satisfy recordkeeping and reporting requirements;
 - (5) the fees, if any, proposed to be charged to persons for opening

accounts;

- (6) the minimum initial deposit and minimum contributions that the financial organization will require;
- (7) the ability of the financial organization to accept electronic withdrawals, including payroll deduction plans, and to issue and distribute gift cards in order to accept gifts and donations through the use of such cards; and
- (8) other benefits to the state or its residents included in the proposal, including fees payable to the state to cover expenses of operation of the program.
- (c) The state treasurer may enter into a contract with a financial organization. Such financial organization management shall provide only one type of investment instrument.
- (d) The state treasurer may select more than one financial organization and investment instrument for the program if the federal internal revenue service provides guidance that giving a contributor the choice of two or more investment instruments under a state program will not cause the program to fail to qualify for favorable tax treatment under section 529 of the federal internal revenue code.
- (e) A management contract shall include, at a minimum, terms requiring the financial organization to:
- (1) Take any action required to maintain the program's compliance with the requirements of this act, and any actions not contrary to its contract to manage the program to qualify as a "qualified state tuition plan" as defined in section 529 of the federal internal revenue code;
- (2) maintain adequate records of each account, segregate accounts from each other and provide the state treasurer with the information necessary to prepare the statements required by section 5, and amendments thereto;
- (3) compile and total information contained in statements required to be prepared under section 5, and amendments thereto, and provide such compilations to the state treasurer;
- (4) if there is more than one program manager, provide the state treasurer with such information as is necessary to determine compliance with section 5, and amendments thereto;
- (5) provide the state treasurer with access to the books and records of the program manager to the extent needed to determine compliance with the contract;
 - (6) hold all accounts for the benefit of the account owner or owners;
- (7) be audited at least annually by a firm of certified public accountants selected by the program manager and provide the results of such audit to the state treasurer;
 - (8) provide the state treasurer with copies of all regulatory filings and

reports made by the financial organization during the term of the management contract or while the financial organization is holding any accounts, other than confidential filings or reports that will not become part of the program. The program manager shall make available for review by the state treasurer the results of any periodic examination of such manager by any state or federal banking, insurance or securities commission, except to the extent that such report or reports may not be disclosed under law; and

- (9) ensure that any description of the program, whether in writing or through the use of any media, is consistent with the marketing plan developed pursuant to the provisions of this act.
- (f) The state treasurer may require that an audit be conducted of the operations and financial position of the program depository and manager at any time, if the state treasurer has any reason to be concerned about the financial position, the recordkeeping practices or the status of accounts of such program depository and manager.
- (g) During the term of any contract with a program manager, the state treasurer shall conduct an examination of such manager and the manager's handling of accounts. Such examination shall be conducted at least biennially, if such manager is not otherwise subject to periodic examination by the state bank commissioner, the federal deposit insurance corporation or other similar entity.
- (h) (1) If a financial organization's selection as a program manager or depository is not renewed after the end of the financial organization's term:
- (A) Accounts previously established and held in investment instruments at such financial organization may be terminated;
 - (B) additional contributions may be made to such accounts;
- (C) no new accounts may be placed with such financial organization; and
- (D) existing accounts held by such depository shall remain subject to all oversight and reporting requirements established by the state treasurer.
- (2) If the state treasurer terminates a financial organization as a program manager or depository, the state treasurer shall take custody of accounts held by such financial organization and shall seek to promptly transfer such accounts to another financial organization that is selected as a program manager or depository and into investment instruments as similar to the original instruments as possible.
- (i) The state treasurer may enter into such contracts as the state treasurer deems necessary and proper for the implementation of the program.
- New Sec. 5. (a) (1) Kansas children's savings accounts established pursuant to the provisions of this act shall be governed by the provisions of this section.

(2) The state treasurer shall establish an account for each child born in Kansas within six months after receiving birth information from the office of vital statistics. The office of vital statistics shall include on all birth certificate applications a box allowing a parent to consent to sharing the child's identifying information, including, but not limited to, the child's social security number, date of birth and any other information deemed necessary by the state treasurer with the office of vital statistics and the office of the state treasurer for the purpose of establishing an account under the program.

- (3) A parent of a child born prior to July 1, 2019, may make application to the state treasurer for establishment of an account for such parent's child. Accounts established pursuant to the provisions of this act shall be in addition to accounts established under K.S.A. 2018 Supp. 75-640 through 75-648, and amendments thereto, or established under K.S.A. 2018 Supp. 75-650, and amendments thereto, and moneys in such accounts may be transferred from one account to another to the extent permitted by the federal internal revenue code.
- (4) For a child who is eligible for any type of assistance as provided in K.S.A. 39-709, and amendments thereto, the program shall provide an initial funding of \$250 per account out of unencumbered temporary assistance for needy families moneys. The Kansas department for children and families and the department of health and environment shall include an optional release of information to the program as part of any application for assistance. All assets in the account shall be exempt from any asset test for the purpose of determining eligibility for any public assistance.
- (b) Any person may make contributions to the account after the account is opened.
- (c) An account owner may withdraw all or part of the balance from an account on 60-days' notice or such shorter period as may be authorized under rules and regulations governing the program.
- (d) (1) An account owner may change the designated beneficiary of an account to an individual who is a member of the family of the prior designated beneficiary in accordance with procedures established pursuant to the provisions of this act.
- (2) An account owner may transfer all or a portion of an account to another Kansas children's savings account, the designated beneficiary of which is a member of the family as defined in section 529 of the federal internal revenue code.
- (3) Changes to designated beneficiaries and transfers under this subsection shall not be permitted to the extent that they would constitute excess contributions or unauthorized investment choices.
- (e) The program shall provide separate accounting for each designated beneficiary.

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(f) Subject to the provisions of section 529 of the internal revenue code, an account owner of any account shall be permitted to direct the investment of any contributions to an account or the earnings thereon.

- (g) Neither an account owner nor a designated beneficiary may use an interest in an account as security for a loan. Any pledge of an interest in an account shall be of no force and effect.
- (h) (1) The state treasurer shall adopt rules and regulations to prevent contributions on behalf of a designated beneficiary in excess of an amount equal to the average amount of the qualified higher education expenses that would be incurred for five years of study at institutions of postsecondary education located in the midwest states. Such amount shall be determined annually by the state treasurer.
- (2) Such rules and regulations shall require that any excess contributions with respect to a designated beneficiary be promptly withdrawn in a nonqualified withdrawal or transferred to another account.
- (i) (1) If there is any distribution from an account to any individual or for the benefit of any individual during a calendar year, such distribution shall be reported to the federal internal revenue service and each account owner, the designated beneficiary, or the distributee to the extent required by federal law or rules and regulations.
- (2) Statements shall be provided to each account owner at least twice each year within 60 days after the end of the six-month period to which they relate. The statement shall identify the contributions made during a preceding six-month period, the total contributions made to the account through the end of the period, the value of the account at the end of such period, distributions made during such period and any other information that the state treasurer shall require to be reported to the account owner. Statements may be provided electronically.
- (3) Statements and information relating to accounts shall be prepared and filed to the extent required by federal and state tax law.
- (j) (1) A state or local government, or agency or instrumentality thereof, or organization described in section 501(c)(3) of the federal internal revenue code may open and become the account owner of an account to fund scholarships for persons whose identity will be determined upon disbursement.
- (2) In the case of any account opened pursuant to paragraph (1), each individual who receives an interest in such account as a scholarship shall be treated as a designated beneficiary with respect to such interest.
- (k) A reasonable annual fee, as determined by the state treasurer in rules and regulations, may be imposed upon the account owner or owners for the maintenance of the account
- (l) An account owner or designated beneficiary of a Kansas children's savings account shall be a citizen or resident of the United States of

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- (m) The program shall disclose the following information in writing to each account owner and prospective account owner of a Kansas children's savings account:
- (1) The terms and conditions for purchasing a Kansas children's savings account;
 - (2) any restrictions on the substitution of beneficiaries;
 - (3) the person or entity entitled to terminate the savings agreement;
- (4) the period of time during which a beneficiary may receive benefits under the savings agreement;
- (5) the terms and conditions under which moneys may be wholly or partially withdrawn from the program, including, but not limited to, any reasonable charges and fees that may be imposed for withdrawal;
- (6) the potential tax consequences associated with contributions to and distributions from accounts; and
- (7) all other rights and obligations pursuant to savings agreements, and any other terms, conditions and provisions deemed necessary and appropriate by the state treasurer.
- (n) Nothing in this act, or in any savings agreement entered into pursuant to this act, shall be construed as a guarantee by the state of Kansas or any institution of postsecondary education that a beneficiary will be admitted to the institution of postsecondary education or, upon admission to any institution of postsecondary education, will be permitted to continue to attend or will receive a degree from such institution of postsecondary education.
- (o) Moneys in a Kansas children's savings account shall be exempt from attachment, execution or garnishment as provided by K.S.A. 60-2308, and amendments thereto.

New Sec. 6. (a) Nothing in this act shall be construed to:

- (1) Give any designated beneficiary any rights or legal interest with respect to an account unless the designated beneficiary is the account owner;
- (2) guarantee that a designated beneficiary will be admitted to an institution of postsecondary education;
- (3) create state residency for an individual merely because the individual is a designated beneficiary; or
- (4) guarantee that amounts saved pursuant to the program will be sufficient to cover the qualified higher education expenses of a designated beneficiary.
- (b) (1) Nothing in this act shall create or be construed to create any obligation of the state treasurer, the state or any agency or instrumentality of the state to guarantee for the benefit of any account owner or designated beneficiary with respect to:

 (A) The rate of interest or other return on any account; and

- (B) the payment of interest or other return on any account.
- (2) The state treasurer, by rules and regulations, shall provide that every contract, application, deposit slip or other similar document that may be used in connection with a contribution to an account clearly indicate that the account is not insured by the state and neither the principal deposited nor the investment return is guaranteed by the state.

New Sec. 7. (a) (1) The Kansas children's savings account program trust fund is hereby established in the state treasury. The Kansas children's savings account program trust fund shall consist of moneys deposited by depositors pursuant to the provisions of this act, moneys acquired from governmental and private sources through grants, gifts or donations and state general fund appropriations, if any. All interest derived from the deposit and investment of moneys in such fund shall be credited to the fund. At the end of any fiscal year, all unexpended and unencumbered moneys in such fund shall remain therein and not be credited or transferred to the state general fund or to any other fund. The state treasurer shall transfer \$250 per year from the Kansas children's savings account program trust fund to each account that has received at least one contribution after the initial deposit. In the event that there is insufficient funding to transfer \$250 to each account, the state treasurer shall prorate the existing funds to provide an equal or lesser amount to each account.

- (2) Except as provided in subsection (b), the state treasurer shall credit all moneys received in connection with the Kansas children's savings account program to the Kansas children's savings account program trust fund.
- (b) (1) The Kansas children's savings account program expense fund is hereby established in the state treasury. The fund shall consist of moneys received from the Kansas children's savings account program manager.
- (2) All expenses incurred by the state treasurer in developing and administering the Kansas children's savings account program shall be payable from the Kansas children's savings account program expense fund.

New Sec. 8. The director of accounts and reports shall make payroll deductions from the salary and wages of state officers and employees for Kansas children's savings accounts provided for in section 5, and amendments thereto, when authorized to make such deductions by the written, voluntary authorization of such officers and employees. No administrative fees or charges shall be assessed for costs incurred in making such deductions. Subject to the approval of the secretary of administration, the director of accounts and reports may prescribe procedures, limitations and conditions for making payroll deductions pursuant to this section.

New Sec. 9. (a) (1) For tax years commencing after December 31,

2019, there shall be allowed a credit against the income tax liability imposed upon a taxpayer pursuant to the Kansas income tax act, the privilege tax liability imposed upon a taxpayer pursuant to the privilege tax imposed upon any national banking association, state bank, trust company or savings and loan association pursuant to article 11 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, and the premium tax liability imposed upon a taxpayer pursuant to the premiums tax and privilege fees imposed upon an insurance company pursuant to K.S.A. 40-252, and amendments thereto, an amount equal to 70% of the amount donated to the Kansas children's savings account program trust fund established by section 7, and amendments thereto.

- (b) The credit shall be claimed and deducted from the taxpayer's tax liability during the tax year in which the donation was made to the Kansas children's savings account program trust fund.
- (c) For each tax year, in no event shall the total amount of credits allowed under this section exceed \$5,000,000 for any one tax year.
- (d) If the amount of any such tax credit claimed by a taxpayer exceeds the taxpayer's income, privilege or premium tax liability, such excess amount may be carried over for deduction from the taxpayer's income, privilege or premium tax liability in the next succeeding year or years until the total amount of the credit has been deducted from tax liability.
- (e) The secretary of revenue shall adopt rules and regulations regarding filing of documents that support the amount of credit claimed pursuant to this section.
- Sec. 10. K.S.A. 65-2422d is hereby amended to read as follows: 65-2422d. (a) The records and files of the division of public health pertaining to vital statistics shall be open to inspection, subject to the provisions of the uniform vital statistics act and rules and regulations of the secretary. It shall be unlawful for any officer or employee of the state to disclose data contained in vital statistical records, except as authorized by the uniform vital statistics act and the secretary, and it shall be unlawful for anyone who possesses, stores or in any way handles vital statistics records under contract with the state to disclose any data contained in the records, except as authorized by law.
- (b) No information concerning the birth of a child shall be disclosed in a manner that enables determination that the child was born out of wedlock, except upon order of a court in a case where the information is necessary for the determination of personal or property rights and then only for that purpose, or except that employees of the office of child support enforcement of the federal department of health and human services shall be provided information when the information is necessary to ensure compliance with federal reporting and audit requirements

pursuant to title IV-D of the federal social security act or except that the secretary for children and families or the secretary's designee performing child support enforcement functions pursuant to title IV-D of the federal social security act shall be provided information and copies of birth certificates when the information is necessary to establish parentage in legal actions or to ensure compliance with federal reporting and audit requirements pursuant to title IV-D of the federal social security act. Nothing in this subsection shall be construed as exempting such employees of the federal department of health and human services or the secretary for children and families or the secretary's designee from the fees prescribed by K.S.A. 65-2418, and amendments thereto.

- (c) Except as provided in subsection (b), and amendments thereto, the state registrar shall not permit inspection of the records or issue a certified copy or abstract of a certificate or part thereof unless the state registrar is satisfied the applicant therefor has a direct interest in the matter recorded and the information contained in the record is necessary for the determination of personal or property rights. The state registrar's decision shall be subject, however, to review by the secretary or by a court in accordance with the Kansas judicial review act, subject to the limitations of this section.
- (d) The secretary shall permit the use of data contained in vital statistical records for research purposes only, but no identifying use of them shall be made. The secretary shall permit the use of birth, death and stillbirth certificates as identifiable data for purposes of maternal and child health surveillance and monitoring. The secretary or the secretary's designee may interview individuals for purposes of maternal and child health surveillance and monitoring only with an approval of the health and environmental institutional review board as provided in title 45, part 46 of the code of federal regulations. The secretary shall inform such individuals that the participation in such surveillance and monitoring is voluntary and may only be conducted with the written consent of the person who is the subject of the information or with the informed consent of a parent or legal guardian if the person is under 18 years of age. Informed consent is not required if the person who is the subject of the information is deceased.
- (e) Subject to the provisions of this section the secretary may direct the state registrar to release birth, death and stillbirth certificate data to federal, state or municipal agencies. The secretary shall direct the state registrar to release to the state treasurer birth certificate data and related information deemed necessary by the state treasurer for the purpose of implementing the Kansas children's savings account program, sections 1 through 9, and amendments thereto.
- (f) On or before the 20th day of each month, the state registrar shall furnish to the county election officer of each county and the clerk of the

district court in each county, without charge, a list of deceased residents of the county who were at least 18 years of age and for whom death certificates have been filed in the office of the state registrar during the preceding calendar month. The list shall include the name, age or date of birth, address and date of death of each of the deceased persons and shall be used solely by the election officer for the purpose of correcting records of their offices and by the clerk of the district court in each county for the purpose of correcting juror information for such county. Information provided under this subsection to the clerk of the district court shall be considered confidential and shall not be disclosed to the public. The provisions of subsection (b) of K.S.A. 45-229(b), and amendments thereto, shall not apply to the provisions of this subsection.

- (g) No person shall prepare or issue any certificate—which that purports to be an original, certified copy or abstract or copy of a certificate of birth, death or fetal death, except as authorized in this act or rules and regulations adopted under this act.
- (h) Records of births, deaths or marriages—which that are not in the custody of the secretary of health and environment and—which that were created before July 1, 1911, pursuant to chapter 129 of the 1885 Session Laws of Kansas, and any copies of such records, shall be open to inspection by any person and the provisions of this section shall not apply to such records.
- (i) Social security numbers furnished pursuant to K.S.A. 65-2409a, and amendments thereto, shall only be used as permitted by title IV-D of the federal social security act, and amendments thereto, or as permitted by section 7(a) of the federal privacy act of 1974, and amendments thereto. The secretary shall make social security numbers furnished pursuant to K.S.A. 65-2409a, and amendments thereto, available to the Kansas department for children and families for purposes permitted under title IV-D of the federal social security act.
- (j) Fact of death information may be disseminated to state and federal agencies administering benefit programs. Such information shall be used for file clearance purposes only.
 - Sec. 11. K.S.A. 65-2422d is hereby repealed.
- Sec. 12. This act shall take effect and be in force from and after its publication in the statute book.