



2022
ANNUAL REPORT
to the
KANSAS
LEGISLATURE

AD ASTRA PER ASPERA
Kansas
Lynn Rogers
State Treasurer

*Submitted by the Honorable
Kansas State Treasurer Lynn Rogers*



Dear Governor Kelly, distinguished members of the Kansas Legislature, and fellow Kansans,

It is my honor to present you with the 2022 Annual Report for the Kansas State Treasurer's Office. Our dedicated staff and leadership continued to raise the bar on expectations and communications, and put the services that will benefit all Kansans at the forefront.

For instance, our office has shown an over 33% increase in investments in Learning Quest 529's savings accounts which means more and more Kansans are saving for their future educational journey.

Further, we also saw the passage of HB 2490 which allowed our office to implement changes associated with ABLE Savings Accounts. The passage of this bill helped secure and save the funds of persons living with a disability within the state of Kansas and kept our state in compliance with the federal ABLE regulations.

We also worked diligently with U.S. Secretary of Labor's Representative for Pensions and Retirement, Kathleen Kennedy-Townsend, on a program called, "Work and Save." From my press release, I noted, "Kansas has a retirement problem, and it's exactly what you think it is. More and more Kansans find themselves financially strapped as they grow older as Social Security replaces less of a retiree's income than it once did."

Lastly, a well-educated population and workforce remain critical long-term components in maintaining a healthy economy and thriving culture in Kansas which is why we proudly partnered with House members to work on a Post Secondary Education Tax Plan. This tax plan includes Tuition Tax Credits, Business Tax Credit for Student Loan Repayment, and Extension of Section 529 Contribution Deadline.

The information in this report highlights the important services the State Treasurer's Office is providing to the people of Kansas and I am very pleased with the strong work and dedication this report will highlight regarding our efforts in 2022. We continue to dutifully serve the people of Kansas, be a watchdog of the budget, and faithfully serve every constituent in our great state enthusiastically each day. Please enjoy the 2022 Annual Report for the Kansas State Treasurer's Office.

Respectfully submitted,

Lynn Rogers

A handwritten signature in black ink that reads "Lynn W. Rogers". The signature is written in a cursive style with a large, prominent "L" and "R".

Kansas State Treasurer

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Lynn W Rogers
KANSAS STATE TREASURER

OUR OFFICE

**Providing Kansans
the financial tools
they need to enjoy
the life they want.**



The Kansas State Treasurer's Office visited the Capitol over the summer to celebrate the end of session and to enjoy the fantastic architecture of the building.

LEARNING QUEST 529 SAVINGS PLANS

This savings program includes three plans under section 529 of the I.R.S. Code: Learning Quest, Learning Quest Advisor, and the Schwab 529. Our contract for the program with American Century Investments, Inc. currently runs through June 30, 2025.



We would like to report that for the first time since our office began administering Learning Quest 529 Savings Plans, total assets now exceed \$9 billion. Decreases in YOY changes are due to market conditions

All KS 529 Plans	2022 (as of 11.30.2022)	2021 (as of 11.30.2021)	YOY Change
Total Assets	\$ 9,215,748,122.47	\$ 9,835,899,090.34	-6.30%
Purchases	\$ 887,914,369.22	\$ 1,016,284,795.04	-12.63%
Withdrawals	\$ (645,048,474.04)	\$ (615,659,355.95)	+4.77%
Net Investment	\$ 242,865,895.18	\$ 400,625,439.09	-39.37%
Funded Accounts	310,807	291,718	+6.54%
New Accounts	27,296	34,071	-19.88%
Rollover In	\$ 175,533,958.14	\$ 269,012,659.82	-34.74%
Rollover (Out)	\$ (50,875,069.34)	\$ (98,224,141.53)	-26.60%
Net Rollover	\$ 125,458,868.80	\$ 200,788,518.29	-37.51%



KIDS MATCHING GRANT PROGRAM

This was the 16th year for the K.I.D.S. Matching Grant Program in which investors with a household adjusted gross income below 200 percent of the federal poverty level may receive a matching contribution of up to \$600 per beneficiary based on their contributions to their Learning Quest accounts. (Example: A family of four with an income less than \$55,500 was eligible to participate in 2022). Account owners must reapply each year, and the program currently has up to 1,200 spaces (300 per congressional district). In FY 2022, there were 682 K.I.D.S. Matching Grant participants. FY 2022 had \$389,694.00 in total contributions into the program. This was a slight decrease from FY 2021 total contributions of \$392,019.00. Just shy of \$5 million has been contributed to accounts for students participating in the K.I.D.S. Matching Grant Program since its inception. A report of calendar year 2022 will be released to the legislature at the end of January.



As of December 31, 2022:

- **Total accounts open: 1,441**
(year-over-year increase of 21.8%)
- **Total funded accounts: 1,376**
(year-over-year increase of 20.6%)
- **Total assets under management:**
\$12,874,913 (year-over-year increase of 21.8%)
- **Average balance per funded account: \$9,357** (year-over-year increase of 1%)

In 2015 the Kansas ABLE Savings Program was established pursuant to K.S.A. 75-651. As currently enacted, the purpose of the program is to “authorize the establishment of savings accounts empowering individuals with a disability and their families to save private funds to support the individual with a disability, obtain federal and state tax income tax benefits of a qualified ABLE program as defined [by federal law], and to provide guidelines for the maintenance of such accounts.” State ABLE (“Achieving A Better Life Experience”) savings programs were authorized by federal tax legislation modeled after the 529 higher education savings program. Contributions into ABLE accounts are made on an after-tax basis. Funds within the account grow tax deferred, and interest is tax-free if used for qualified disability-related expenses.

The State Treasurer administers the Kansas ABLE Savings Program through a contract with a program manager, Ascensus College Savings, and in cooperation with the National ABLE Alliance (the “Alliance”) which is the largest consortium of ABLE plans in the country. ABLE participants can choose among six investment tracks with varying expected risk/return profiles, and a checking account option. The checking account option is a unique feature of Alliance plans

which provides FDIC insurance and increased liquidity through debit-card access to ABLE funds.

The major ABLE initiative in 2022 was responding to final federal regulations governing ABLE programs, which required changes to Kansas law. The State Treasurer’s Office worked closely with the Legislature on HB2490, which passed with near-unanimous support in the House and Senate and became effective July 1. This allowed us to modify ABLE enrollment procedures to make it easier for participants to open accounts on behalf of people who lack capacity to manage their own finances. The bill also made other changes to comply with existing federal law.

We are also celebrating the long-awaited passage of the federal ABLE Age Adjustment Act, which was included in the Consolidated Appropriations Act of 2023. Effective in 2026, this provision will expand eligibility for the Kansas ABLE savings program to people whose qualifying disability first onset prior to the age of 46 (rather than the current age-of-onset maximum of 26). This will make ABLE programs available to 6 million additional people nationwide – including 1 million veterans with disabilities. The changes in HB2490 allow our office to automatically update eligibility requirements to reflect the federal ABLE Age Adjustment Act, without further changes to Kansas law.

In 2022 we also finalized a new contract with the ABLE program manager that resulted in lower asset-based and per-account fees for participants. As of December 31, 2022, the Kansas ABLE Savings Program had 1,376 funded accounts with almost \$12.9 million in total assets under management. This is an annual increase in funded accounts of 21%, and an annual increase in total assets under management of 22%. These increases are especially remarkable given the overall negative trend in investment returns during 2022. Even during a challenging investment environment, the Kansas ABLE Savings Program remains a trusted tool for individuals with disabilities and their families to save and invest for future expenses, achieve tax savings, and improve their quality of life.



Capitol Announcement with Treasurer Lynn Rogers

CITY UTILITY LOAN PROGRAM UPDATE

There are no loans in arrears.

7 cities have paid their loans in full.

The balance of the program is \$50,572,454.97.

The rate was set 01/03/23 to 2.68% based on a current market rate of 4.68%.



Photograph of the Landon Building where the Treasurer's Office is located.

UNCLAIMED PROPERTY

The Unclaimed Property Division has one of the most rewarding missions in the state: returning unclaimed property to its rightful owners or heirs, the people of Kansas. After a period of dormancy, a reporting business (also known as a holder) must remit specified types of abandoned personal property to the State Treasurer, who then becomes custodian in perpetuity. This upholds the right of the original owner or heirs to claim the property. The State Treasurer maintains a balance in the Unclaimed Property Claims Fund to pay approved claims. A balance is also maintained in the Unclaimed Property Expense Fund to operate the program.

Some common forms of abandoned property include: safe deposit box contents, bank accounts, shares of stock, dividends, mineral royalties, certified checks, drafts or money orders, insurance policy payouts, utility deposits, property

distributable during the voluntary closure of business associations, court deposits, funds from public agencies, and miscellaneous intangible property held by one party for another.

PROPERTY RECEIVED FROM HOLDERS

All property that meets statutory requirements for presumption of abandonment must be reported and remitted to the State Treasurer along with the last known contact information for the owner. Any properties valued below \$100 may be combined into one lump sum and turned in to the State Treasurer as aggregate. Holders have 4 efficient, business-friendly options to file reports; uploading file to our secure server, electronically on diskettes or CD/DVD, or through written reports that are hand-entered into the system by unclaimed property staff. Holders also have the option to use private vendor software to prepare and file reports. This unclaimed

property data is stored and processed on a secure web-based system. All properties valued \$5.00 and up are listed on the treasurer's website, where owners and heirs claiming an interest in a property may then file a claim with the State Treasurer. The Unclaimed Property Division reviews the claims for appropriateness, ensuring each claim is paid out only to verified owners or heirs of the property.

In FY2022, the Unclaimed Property Program had another exceptional year returning property to the people of Kansas. The Unclaimed Property Division received over \$56.2 million in unclaimed property funds from holders. A portion of this amount resulted from the sale of stock received in an earlier year, as required by law. The amount of unclaimed property returned to its rightful owners exceeded \$26.0 million in money and stock. That means more than 46 percent of the value of reported property received during FY2022 was paid out to rightful owners, a percentage far exceeding most states. Claims Services processed 86,115 claims in FY2022.

OUTREACH INITIATIVES

The principal mission for the Unclaimed Property Division is to return property to its rightful owners. The newly updated website continues to be the most widely used outreach tool for the department. The public may go on-line and use a simple search function to find out if their name is on the unclaimed property list. Approved on-line claims allow the claimant to receive their payment much faster, usually less than one week from the date the claim was approved. In 2018, the option to request payment by way of Direct Deposit was added to the claims process, increasing internal efficiencies and decreasing payment wait time for owners. Increased social media presence is also an effective outreach method.

Unclaimed Property staff members proactively search for property owners. As new property is reported, staff members begin searching for owners, as time allows, using a variety of methods, mainly address verification software or websites that provide current contact information for individuals. They attempt to contact the owner or the heirs and deliver a claim packet to them. While this may seem like a tedious process, it actually produces a higher percentage of valid claims than some of the more visible outreach efforts.

Thanks to law passed in 2013, the State Treasurer's Office continues to use Kansas claimant's state-issued driver's license or identification card to validate the person's identity.

In September 2022, the State Treasurer's Office maintained a booth at the Kansas State Fair. 19,595 searches were generated from this event alone for a total amount of over \$1,833,043.00 in claims and potential claims.

One of the most effective forms of outreach is the Treasurer himself. Treasurer Rogers routinely makes unclaimed property a focus as he travels throughout the state. Treasurer Rogers regularly visits county treasurers and provides them with the most up to date unclaimed property list for their counties to help with this outreach. In addition, he speaks with a wide variety of groups around the state, always promoting the Unclaimed Property Program.

The Kansas State Treasurer's Office continues to operate one of the most innovative Unclaimed Property Divisions in the nation. It remains our goal to find new ways to quickly and efficiently return unclaimed property to its rightful place with the people of Kansas.



KANSAS SCHOLARSHOP

For calendar year 2022 (as of 12/12/22) we have seen 1,023 individuals set up profiles in our scholarship search engine via the ScholarShop URL. As a reminder, our scholarship search engine is a free resource for anyone looking for scholarships. The engine has a database of over 6 million active scholarships with awards totaling over \$30 billion.

Turn the things you love into scholarships

Sallie Mae® Scholarship Search

Spend less time searching—get matched to scholarships based on your skills and interests.

Register for free at
kansascash.ks.gov/scholarshop

Kansas in partnership with **sallie mae**
Lynn Rogers

Access over 6 million scholarships

- Create your profile
- Get matched to scholarships that fit you and what you're into
- Set up alerts for when new scholarships pop up

You could win \$1,000!

When you register, you can enter for a chance to win \$1,000 in our monthly sweepstakes.*

“As the father of three and a school board member for 16 years, I know the cost of higher education can often keep students from pursuing their educational dreams. ScholarShop is a great tool for students to search for free money to help make college more affordable and reduce the need to take out student loans.”

Lynn Rogers, Kansas State Treasurer
Learn more at kansascash.ks.gov/scholarshop

kansascash.ks.gov/scholarshop

*No purchase necessary. Void where prohibited. Odds of winning depend on the number of entries received. See official rules at SallieMae.com/ScholarShopRules. SALLIE MAE RESERVES THE RIGHT TO MODIFY OR DISCONTINUE PRODUCTS, SERVICES, AND BENEFITS AT ANY TIME WITHOUT NOTICE. CHECK SALLIEMAE.COM FOR THE MOST UP-TO-DATE PRODUCT INFORMATION. © 2021 Sallie Mae Bank. All rights reserved. Sallie Mae, the Sallie Mae logo, and other Sallie Mae names and logos are service marks or registered service marks of Sallie Mae Bank. All other names and logos used are the trademarks or service marks of their respective owners. S/M Corporation and its subsidiaries, including Sallie Mae Bank are not sponsored by or agencies of the United States of America. M0116281 1/21

In addition, we co-hosted three statewide virtual events (webinars) in 2022.

- **Scholarships: Saving and Finding Free Money for College**
- **Demystifying the Scholarship Essay – Tips to Help You Succeed (offered twice)**

Treasurer Rogers spoke directly with many junior and senior high school students across the state and mentioned the ScholarShop/search engine.





MUNICIPAL BOND SERVICES PROGRAM

The Municipal Bond Services Program is responsible for the registration of all municipal bonds and temporary notes issued in Kansas. This program also provides registrar and transfer agent services for the majority of all local and state municipal bond issues including bonds authorized by the Kansas Department of Transportation and by the Kansas Development Finance Authority.

As registrar and transfer agent for outstanding municipal bond issues in Kansas, the State Treasurer maintains and services 2,197 registered bonds and temporary notes. The final outstanding bearer bonds paid out in March 2021 leaving only registered bond issues and temporary notes outstanding. The State Treasurer was named paying agent on 86 percent of the 189 new issues that were recorded during the fiscal year. In addition, the State Treasurer was named paying agent on 88 percent of the 51 temporary note issues that were recorded. The total principal amount outstanding on bonds and temporary notes as of June 30, 2022 was in excess of \$20.4 billion.

When the State Treasurer is named as paying agent, principal and interest amounts are collected from the respective municipalities in advance of maturities to ensure timely payments on the bond issue. For providing the paying agent service, a fee is charged to the issuing municipality for the services provided. Under current law, K.S.A. 10-506, K.S.A. 10-603 and K.S.A. 10-627, as amended July 1, 2000, amounts are received and deposited in the state treasury and credited to the Bond Services Fee Fund.

During 2021, we upgraded our remittance system used by municipalities to remit fees and taxes to the state to include functionality that enables bond issuers to make secure and convenient payments on line. This functionality includes the option for issuers to receive electronic communication and increases the security around the banking account information of the municipalities.

The State Treasurer is also authorized to charge and collect fees for the registration of bonds for which the State Treasurer is not the paying agent. These fees are credited to the Bond Services Fee Fund and, combined with the paying agent fees, are used to support the program. The Bond Services program is completely funded by these fees. Total fees collected and credited to the Bond Services Fee Fund in FY 2022 were \$726,032. The payments collected for all bond issues serviced were \$3.07 billion in FY 2022.

CASH MANAGEMENT PROGRAMS

The Cash Management Program serves as the state's bank - recording and depositing all state receipts and accurately accounting all disbursements made through the payment process. This program serves as 'collateral custodian' for the Pooled Money Investment Board (PMIB), administers four linked deposit programs, distributes designated taxes to local units of government, disburses license plate royalty fees, distributes through the Aid-to- Local Units of Government programs, receives County taxes, and receives the district and municipal court fees.

In an effort to ensure all processes are as efficient as possible, we strongly encourage the use of electronic fund transfers whenever possible. In FY 2022, 90% of the state's receipt dollars were received electronically and 95.8% of the state's disbursement dollars were processed electronically. All checks received by state agencies are scanned, balanced, and then electronically deposited with our contract bank. The number of checks paid by the State continued to decrease – from 511,598 in FY 2021 to 490,161 in FY 2022. Much progress has been made in moving to electronic processing of receipts and disbursements, and we continue to work with all suppliers and state agencies to encourage the use of electronic methods.

To assist district and municipal courts and county treasurers in reporting and remitting specific fees and taxes to the state, the Treasurer's Office continues to enhance the on-line reporting tool. In 2021, a new update was put into production increasing security and adding new functionality as outlined in the Bond Services section. The option to securely submit ACH payments provides entities an efficient electronic payment method. This system has reduced the amount of paper and postage costs incurred by the Judiciary and County Treasurers. We continue to work to make this system as efficient as possible for our partners.

The Cash Management Program must ensure that the money deposited in any Kansas bank is secured

either by FDIC insurance or by an approved collateral type. Weekly, the PMIB places available cash with Kansas banks in the form of Certificates of Deposit. The value of the CD and the value of the pledged collateral is tracked on a special software application called "The VAULT". The collateral is priced weekly by the State's contract bank and all changes in pledged collateral are monitored to make sure the State's funds are fully protected in accordance with statute.

The Fiscal Services Department is also charged with monitoring and improving the State's cash management practices. Each day the State's pooled-cash position is calculated and reported to the PMIB. The available monies are then invested by PMIB according to statute.

We provide cash concentration services to several agencies; the Department of Children and Families, the Department of Corrections, and the Department of Wildlife, Parks and Tourism. At the direction of their fiscal staff, we bring excess dollars from their fee accounts into the State's investment pool, maximizing the cash availability and investment earnings.

Working with the Department of Revenue, the Treasurer's Office facilitates the return of taxes and fees to local entities. This includes: Sales Tax, Compensating Use Tax, Transient Guest Tax, Liquor Tax, Vehicle Excise Taxes, Distinctive License Plate Royalty Fees, Community Development District Tax, etc. Fiscal Services serves as escrow agent for most state money designated for STAR Bonds and Economic Revitalization. At the end of 2022, there were twenty-one active STAR Bond projects with a fund balance and one Special Economic Revitalization program with a combined fund balance in excess of \$55.2 million. The program balances are monitored and the money distributed to the designated bond paying agent as required by the issuance documents.

KANSAS AGRICULTURAL PRODUCTION PROGRAM

The Agricultural Production Loan Deposit Program, has been administered by the Treasurer’s Office since it was created by the 2000 Legislature and is a cooperative program with Kansas banks. The program is a method to assist agricultural borrowers with high debit-to-asset ratios and/or whose lenders might not have sufficient cash to fund additional loans. As the financial environment fluctuates, so does the demand for these loans. Each borrower is limited to one loan at a time, but can move in and out of the program as needed— paying off one loan as farm products are sold, then requesting another loan when purchasing product or inventory for the next season. Lenders who want to participate in the program are required to sign a Participation Agreement with the State Treasurer’s Office. Each borrower must certify that they meet the legal criteria and will use the proceeds of the loan as intended by the program. The lender must certify as to the borrower’s eligibility. Most lenders and borrowers find this to be a very simple process.

The Legislature limited the funds available for these loans to \$55 million. As loans are paid off or as principal payments are received, the Treasurer’s Office makes the dollars available to fund new loans. Since its inception in July 2000, this program has issued 1,809 loans in the amount of \$260.9 million. 5 loans were funded in FY2022. At the end of FY2022, there were 75 outstanding loans with a balance of \$10.2 million, representing 25 Kansas counties.

The lower than market rate authorized by the statute is calculated by the PMIB staff each day and is published on their web page. Banks are allowed a four percent spread between the rate they pay on the certificates of deposit with the State and the maximum rate they are allowed to charge the borrower as a means to offset risk. The State does not risk losing principal or interest on these loans, and the interest rates change on existing loans every six months: July 1 and January 1.

All interest payments are collected June 30 and December 31 and are credited to the State General Fund. Since July 2000, the program has earned \$9.71 million in interest income for the State General Fund. \$80,726.44 was deposited during FY 2022. The 2009 Legislature passed HB 2331, placing a minimum of 0.5 percent on Certificates of Deposits. The CD interest rate as of July 1, 2022, was 0.68%.

HOUSING LOAN DEPOSIT PROGRAM

The Kansas Housing Loan Linked Deposit Program was created by the 2008 Legislature with SB 387, and it has also been administered by the Treasurer’s Office Cash Management Program. The program was modeled after the Agricultural Production Loan Deposit Program and was implemented July 1, 2008. The money is to be used for building or rehabilitating a home or adult care facility. The interest rate is calculated by the PMIB staff each day and published on their website. A minimum CD interest rate of 0.5 percent was established by the 2009 Legislature with the passage of HB 2331.

The original regulations required that the home value not exceed 350% of the median family income as reported by the most recent census and be reported on the Treasurer’s website. The 2010 Legislature made additional changes to the program, in hopes it would be able to assist more constituents:

- Maximum qualifying home value is now linked to federal average area purchase price safe harbors for mortgage revenue bonds (currently set at varying limits for single- and multi-family homes)
- Developers are able to borrow up to \$2 million in multiple loans
- Loans for rehabilitation are now permitted

Further modifications to the program took place with the 2012 Legislature, which expanded availability for linked deposit loans to developers of not-for-profit adult care facilities, with a \$2 million borrowing maximum. At the end of CY 2022, there were no outstanding loans.

This is the eighth consecutive year this program has not been utilized. Until this year, the mortgage market was favorable to borrowers; therefore, they have not needed additional lending resources. However, we have received inquiries regarding this program, and we expect all linked deposit loan programs to become more attractive with the dramatic increase in market interest rates over the past year. We continue provide information to community leaders, lenders, developers, and others related to this specific Linked Deposit Loan Program.

AID TO LOCAL UNITS OF GOVERNMENT

Through the Aid to Local Units of Government subprogram, the State Treasurer distributes monies to city and county governments according to statutory provisions. In FY 2022, the City and County Highway Distribution subprogram, the Highway Equalization subprogram, and the Tax Increment Revenue Replacement were the only programs disbursing money.

ECONOMIC RECOVERY LOAN DEPOSIT PROGRAM

The Kansas Economic Recovery Linked Deposit program became law in April 2021 and is administered by the Treasurer's Office. Also modeled after the Agricultural Production Loan Deposit Program, this program is offered to small commercial or agricultural businesses in Kansas to use for operating expenses. The

interest rate is calculated by the PMIB staff each day and published online. A minimum CD interest rate of 0.25 percent was established by the legislature. The legislature limited the funds for this program at \$60 million. Six loans were issued in FY 2022 in the total amount of \$906,752 earning \$66.78 in interest credited to the SGF. The office continues to market this program and to raise awareness of its availability as market conditions change.

KANSAS EXTRAORDINARY UTILITY COSTS LOAN DEPOSIT PROGRAM

The Kansas Extraordinary Utility Costs Loan Deposit program also became law in April 2021 and is administered by the Treasurer's Office. This program provides that idle funds not utilized for the City Utility Low-Cost Loan Program were made available to wholesale natural gas customers located in the State of Kansas that incurred extraordinary natural gas costs due to the extreme winter weather event of February 2021. At the end of CY 2022, there are no outstanding loans. Furthermore, there have never been any loans issued under this program and no future loans are expected given the purpose and the time lapse between the winter weather event and current day.



FINANCIAL LITERACY

As the Chief Financial Officer of the state, Treasurer Rogers worked diligently to raise awareness about the importance of financial literacy by visiting with hundreds of students through JAG-K, high school bank visits, and by opening a brand new bank exhibit at the Kansas Children's Discovery Center. With a strong increase in saving for education, scholarship recipients, outreach to educators, as well as keying in on the importance of registered apprenticeships and trade school statewide.



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