

KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY
Division of Student Financial Aid
(Amendment)

11 KAR 12:050. Substitution of a beneficiary.

RELATES TO: KRS 164A.325(5), 164A.330(4), (5)

STATUTORY AUTHORITY: KRS 164A.310(14), 164A.325(9)

CERTIFICATION STATEMENT: This is to certify that this administration regulation complies with the requirements of 2025 RS HB 6, Section 8.

NECESSITY, FUNCTION, AND CONFORMITY: KRS 164A.325(9) authorizes the board to promulgate administrative regulations for the administration of the Kentucky Educational Savings Plan Trust. KRS 164A.330(4) and (5) establishes the statutory framework for the substitution of a beneficiary. KRS 164A.325(5) authorizes the board to promulgate, impose, and collect administrative fees and charges for trust transactions. This administrative regulation establishes the requirements for the substitution of a beneficiary.

Section 1. Substitution.

(1) A participant may substitute a beneficiary at any time subject to KRS 164A.330(4). If a participant desires to substitute the beneficiary, the participant shall give written or electronic notice to the program administrator by submitting a request.~~["notice to substitute beneficiary."]~~

(2) In order for a substitution of beneficiary to be effective, the substituted beneficiary shall be already designated as a beneficiary on another account or eligible, pursuant to 11 KAR 12:030 and 26 U.S.C. 529(e)(1), on the date that the request~~["notice"]~~ to substitute beneficiary is submitted.

GREG ROUSH, Chair

APPROVED BY AGENCY: June 12, 2025

FILED WITH LRC: July 14, 2025 at 8:25 a.m.

PUBLIC HEARING AND COMMENT PERIOD: A public hearing on this administrative regulation shall be held on Wednesday, September 24, 2025, at 10:00 a.m. Eastern Time at 100 Airport Road, Frankfort, Kentucky 40601. Individuals interested in being heard at this hearing shall notify this agency in writing by five (5) workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who attends will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through September 30, 2025. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: Hon. Miles F. Justice, General Counsel, Kentucky Higher Education Assistance Authority, P.O. Box 798, Frankfort, Kentucky 40602-0798, phone (502) 696-7309, fax (502) 696-7293, email mjustice@kheaa.com.

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Contact Person: David Lawhorn

(1) Provide a brief summary of:

(a) What this administrative regulation does:

This administrative regulation establishes the requirements for the substitution of a beneficiary under the Kentucky Educational Savings Plan Trust program.

(b) The necessity of this administrative regulation:

This administrative regulation is necessary in order to advise plan participants of the process for substituting beneficiaries thereunder.

(c) How this administrative regulation conforms to the content of the authorizing statutes:

This administrative regulation conforms to the content of the authorizing statutes by prescribing the requirements for beneficiary substitution under the program as required by the statutes.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes:

This administrative regulation assists with the effective administration of the statutes by prescribing the requirements whereby a plan participant can substitute a beneficiary.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation:

The amendment changes the existing regulation by providing that the required notification form can be submitted by electronic means.

(b) The necessity of the amendment to this administrative regulation:

The amendment to this administrative regulation is necessary in order to advise plan participants of the means by which they can achieve substitution of the beneficiary for their plan.

(c) How the amendment conforms to the content of the authorizing statutes:

This amendment conforms to the content of the authorizing statutes by expanding the means to substitute a plan beneficiary through electronic means.

(d) How the amendment will assist in the effective administration of the statutes:

This amendment will assist in the effective administration of the KESPT program by expanding the method by which a plan participant can submit notice of change of beneficiary to include electronic means.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation:

As of January 31, 2025, there were 24,895 participants in the Kentucky Educational Savings Plan Trust.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment:

Program participants must submit the specified change of beneficiary form in order to accomplish this. Under the amendment, this form can be submitted by electronic means.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3):

There will be no cost to the applicants in complying with this amendment.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3):

As a result of compliance, a program participant will be able to complete this change.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially:

There is no cost to implement this administrative regulation.

(b) On a continuing basis:

See 5(a) above.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation:

No funding source is required in order to implement this administrative regulation since it merely expands the means by which the beneficiary form may be submitted to include by electronic means.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:

No increase in fees or funding will be necessary to implement the amendment to this administrative regulation.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees:

This administrative regulation does not establish any fees, nor does it directly or indirectly increase any fees.

(9) TIERING: Is tiering applied?

Tiering was not applied. It is not applicable to this amendment. This administrative regulation is intended to provide equal opportunity to participate, and consequently does not inherently result in disproportionate impacts on certain classes of regulated entities. The "equal protection" and "due process" clauses of the Fourteenth Amendment of the U.S. Constitution may be implicated as well as Sections 2 and 3 of the Kentucky Constitution. The regulation provides equal treatment and opportunity for all applicants and recipients.

FISCAL IMPACT STATEMENT

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation:

KRS 164A.310(14) and 164A.325, 26 U.S.C. 529.

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act:

KRS 164A.310(14) and 164A.325.

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions:

Finance and Administration Cabinet, Kentucky Higher Education Assistance Authority

(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):

1. Expenditures:

For the first year:No additional expenditures will be required as a result of this amendment to the administrative regulation.

For subsequent years:Same as above.

2. Revenues:

For the first year:No additional revenues will be generated through this amendment to the administrative regulation.

For subsequent years:Same as above.

3. Cost Savings:

For the first year:No costs are associated with this administrative regulation.

For subsequent years:Same as above.

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts):

There are no affected local entities.

(b) Estimate the following for each affected local entity identified in (4)(a):

1. Expenditures:

For the first year:No expenditures will be required as a result of this amendment to the regulation.

For subsequent years:Same as above.

2. Revenues:

For the first year:No revenues will be generated through this amendment to the administrative regulation.

For subsequent years:Same as above.

3. Cost Savings:

For the first year:No costs are associated with this amendment to the administrative regulation.

For subsequent years:Same as above.

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a):

The entities affected by the amendment to this administrative regulation are those who elect to participate in the KESPT program.

(b) Estimate the following for each regulated entity identified in (5)(a):

1. Expenditures:

For the first year:No expenditures will be required as a result of this amendment to the regulation.

For subsequent years:Same as above.

2. Revenues:

For the first year:No revenues will be generated through this amendment to the administrative regulation.

For subsequent years:Same as above.

3. Cost Savings:

For the first year:No costs are associated with this amendment to the administrative regulation.

For subsequent years:Same as above.

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a)

(a) Fiscal impact of this administrative regulation:

Since this administrative regulation merely defines applicable terms for the KESPT program and the forms to be utilized in accessing benefits, there is no fiscal impact.

(b) Methodology and resources used to reach this conclusion:

As noted, there is no fiscal impact on any of the affected entities as this regulation simply defines terms and prescribes the forms to be used for the KESPT program.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a "major economic impact", as defined by KRS 13A.010(13):

This administrative regulation will not have a "major economic impact".

(b) The methodology and resources used to reach this conclusion:

As discussed above, there is no fiscal impact from this administrative regulation.