

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

11 KAR 12:060. Cancellation, partial withdrawal, and payment of refund.

RELATES TO: KRS 164A.325(5), 164A.350

STATUTORY AUTHORITY: KRS ~~164A.310(14)~~, 164A.325(5), (9), 164A.350(8)

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 to implement the Kentucky Educational Savings Plan Trust. KRS 164A.350(2) provides that a participant may cancel a participation agreement ~~[and allows a penalty to be charged by the trust]~~. This administrative regulation establishes the procedures for cancellation of the participation agreement and refund of the account balance ~~[and specifies the penalty]~~.

Section 1. Cancellation. To cancel a participation agreement pursuant to KRS 164A.350(2), a participant shall submit to the program administrator a notice to terminate the participation agreement.

Section 2. Partial Withdrawal. A participant may request a partial withdrawal of an account balance without cancellation of the participating agreement. To request a partial withdrawal from a Kentucky Educational Savings Plan Trust account, a participant shall submit a written or online request to the program administrator.

Section 3. Refund. The amount to be refunded pursuant to KRS 164A.350, shall be mailed or otherwise sent to the participant within sixty (60) days after receipt by the program administrator of notice to terminate the participation agreement or written or online request for partial withdrawal.

GREG ROUSH, Chair

APPROVED BY AGENCY: June 12, 2025

FILED WITH LRC: July 11, 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 procedures for cancellation of a participation agreement and refund of the account balance.

(b) The necessity of this administrative regulation:

This administrative regulation is necessary to advise plan participants of the means by which they can manage their accounts with respect to cancellation and refund.

(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 procedures for cancellation and refund of KESPT plans.

(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 cancellation and refund procedures for KESPT plan participants.

(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 deleting outdated references to penalties assessed by KHEAA and authorization cancellation notice and refund requests to be submitted electronically.

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

The amendment to this administrative regulation is necessary in order to remove outdated penalty language and to add an electronic method for submission of forms regarding cancellation and refund.

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

This amendment conforms to the content of the authorizing statutes by specifying removing outdated verbiage and expanding submission methods to include electronic.

(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 advising participants that their cancellation and refund requests may be submitted electronically.

(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 are 24,895 participants in the KESPT program.

(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:

Those individuals who seek to cancel or obtain a withdrawal from their KESPT plans will be able to submit those requests by email.

(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, applicants will be able to cancel or receive a refund of their plan balance.

(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 specifies that forms may be submitted electronically.

(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), 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.