

February 6, 2025

The Honorable Kellie Warren, Chairperson
Senate Committee on Judiciary
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Senator Warren:

SUBJECT: Fiscal Note for SB 54 by Senate Committee on Judiciary

In accordance with KSA 75-3715a, the following fiscal note concerning SB 54 is respectfully submitted to your committee.

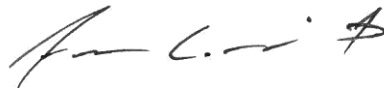
SB 54 would allow a party to obtain discovery of the existence and content of any third-party agreement under which any person, other than an attorney representing a party, has agreed to pay expenses directly related to prosecuting a legal claim and has a contractual right to receive compensation that is contingent on and sourced from any proceeds. The bill would not allow information concerning the third-party agreement to be admissible as evidence at a trial. The bill would also establish certain limitations on discovery of third-party agreements and would require any third-party agreement in which a person has a contractual right to receive compensation that is contingent upon the outcome of the claim to be reported to the Judicial Council within 45 days after the commencement of an action or after the agreement is entered into, whichever is later. The Judicial Council would be required to provide documentation to the person who reported the agreement showing that the report was made. Any third-party agreement that is not reported would be considered void and unenforceable unless the court finds the agreement is admissible and necessary to prove an element of a claim in a case. The clerk of the Supreme Court would be required to create a form for use in reporting. Reports would be considered confidential. On or before July 1, 2028, the Judicial Council would be required to establish a committee to study the issue of third-party agreements, which would need to be reported to the Supreme Court, Attorney General, House Committee on Judiciary, and Senate Committee on Judiciary on December 1, 2029, and each December 1 thereafter.

The Office of Judicial Administration indicates enactment of the bill could increase expenditures for the Judicial Branch because the bill requires additional findings and items for the

court to consider in certain cases. In addition, the bill requires that the appellate court clerk create a reporting form. However, the Office states that a fiscal effect cannot be determined until the Judicial Branch has had an opportunity to operate under the provisions of the bill.

The Judicial Council indicates enactment of the bill would require it to collect information and confirm receipt of such information to individuals reporting third-party agreements in Kansas. The Council states that it would need to establish an advisory committee to study third-party agreements, which would begin in FY 2029. Approximately six meetings would be necessary to conduct the initial study to comply with the provisions of the bill, with an additional three meetings in FY 2029 and three meetings in FY 2030. Beginning in FY 2031, the Council would need to hold two meetings per year to report findings to the appropriate entities. The Council states the cost per meeting would be \$1,575 for reimbursement of travel expenses and subsistence payments. The Council states it would not be able to fund expenditures associated with the provisions of the bill within existing resources. Any fiscal effect associated with SB 54 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", with a stylized flourish at the end.

Adam C. Proffitt
Director of the Budget

cc: Trisha Morrow, Judiciary
Janelle Williams, Judicial Council