

February 8, 2022

The Honorable Rick Billinger, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 548-S
Topeka, Kansas 66612

Dear Senator Billinger:

SUBJECT: Fiscal Note for SB 421 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 421 is respectfully submitted to your committee.

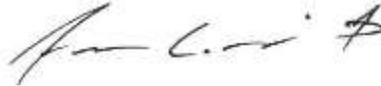
During FY 2017 and FY 2019, the Legislature enacted budgets that withheld approximately \$258.0 million for KPERS-School employer contributions, all from the State General Fund. To keep the retirement system whole from an actuarial view, statutory annual layering payments were authorized for 20 years for each of the missed payments, totaling \$25.8 million from the State General Fund. The annual layering payments are financed at the KPERS-assumed rate of return of 7.75 percent. At the end of FY 2022, the outstanding balance of these payments total \$253,866,022, which is held as an accounts receivable by KPERS.

SB 421, on the effective date of the bill, would transfer \$253,866,022 from the State General Fund to KPERS and payoff the outstanding accounts receivable for these withheld KPERS-School employer contributions. The bill would also remove the statutory references that authorize the payments.

As included in *The FY 2023 Governor's Budget Report*, an appropriation totaling \$253,866,022 is recommended in the Department of Education for paying off the layering payment obligation with KPERS. This recommendation is made in the Department of Education's budget in order to account in the state's budget expenditures that were not made during FY 2017 and FY 2019. By paying off the layering payments before the final maturity will save the state approximately \$171.9 million in interest payments, all from the State General Fund. Instead of making an appropriation to the Department of Education, SB 421 would transfer funds directly

from the State General Fund to KPERS in the same amount. The Governor's recommendation has recognized the elimination of the \$25.8 million annual layering payment State General Fund appropriation in the Department of Education with the payoff off the layering payment.

Sincerely,

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

Adam Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS