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TESTIMONY IN SUPPORT OF SENATE BILL 67
Transferring \$1,000,000,000 from the state general fund to the budget stabilization fund of the
department of administration during the fiscal year ending June 30, 2023.

Presented to the Senate Committee on Ways and Means
By Kansas State Treasurer Steven Johnson

January 31, 2023

Chair Billinger and Members of the Committee:

Thank you for the opportunity to present this testimony in support of Senate Bill 67, which would transfer \$1 billion to the budget stabilization fund, also known as the state's "rainy day fund."

In my career as a financial advisor, I often advised clients that having a good rainy day fund is the foundation of any sound financial plan. The same advice is true when dealing with the state's finances. As State Treasurer, I support your efforts to add funds to the state's rainy day fund, which will help prevent the need for tax increases or dramatic cuts to state services when the financial highs we have been riding built on the unprecedented federal stimulus dollars of the past few years runs out.

With the current size of the projected ending balance in the State General Fund, as well as the competitive interest rates the State is able to obtain on our cash reserves, now is a great time to increase the size of the rainy day fund. Because we know this money will not be tapped for at least one year, we could reasonably expect to get a 4.5% return on our investment. That would mean \$45 million in interest over the course of a year. For comparison, that amount is nearly equal to the SGF budget for the Hutchinson Correctional Facility.

While I acknowledge that this year's Legislature cannot bind future Legislatures, I also appreciate the discussion about locking up the budget stabilization fund so that it cannot be raided for one-time spending, and is treated as a fund to be used as its name explicitly states – to stabilize the state's budget. The greater portion of the fund we are able to protect from one-time use will allow us to invest the funds in longer term assets and provide a greater guarantee that taxpayers won't be asked to fill a hole blown in the state's budget in future years.

Thank you for your consideration and attention to this important issue.

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