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**PROPONENT TESTIMONY ON HOUSE BILL 2102
Making appropriations for FY 2023 for the state treasurer
for the repurchase of certain KPERS pension obligation revenue bonds.**

**Presented to the House Committee on Financial Institutions and Pensions
By Kansas State Treasurer Steven Johnson**

February 6, 2023

Chair Hoheisel and Members of the Committee:

Thank you for the opportunity to present proponent testimony on House Bill 2102, which would appropriate up to \$250 million to repurchase a portion of the Series 2021K KPERS bonds.

With the current size of the projected ending balance in the State General Fund, the Legislature is presented with good financial options. When your family budget experiences a windfall, you are faced with the options of spending, saving or paying down debt. The same options are now before the Legislature as you decide how best to deploy the state's current budget windfall caused by the massive federal stimulus of the past three years.

My hope is that you will focus on the latter two of those options – saving or paying down debt, and keep the spending increases limited, so that when the next recession comes we are prepared.

One lever the state has for saving is through the Budget Stabilization Fund, commonly called the "rainy day fund." Last week, I testified on a bill in the Senate to appropriate additional money into the rainy day fund.

I also strongly support other efforts to pay down debt, including making additional contributions to KPERS. Continuing our efforts to reduce the liability and continue momentum on the historic \$1.1 billion the Legislature invested in that system last year will be one of our most efficient ways to reduce debt.

Other debt repayment options are limited by the provisions of our bond issues. There are two debt obligations that we can consider for retiring. These are the \$53 million in Kansas Water Office bonds included in the Governor's budget and these KPERS bonds. This bill lets us consider this bond repurchase among other positive alternatives for our state finances.

This re-purchase takes advantage of the very low rate we obtained on the 2021 KPERS bond issue and the dramatic increase in interest rates since that time. One important issue for you to consider is the maximum price at which we would offer these bonds. Should you set that cap, including expenses, at 80%, that would essentially allow repurchase of up to \$300 million of the bonds for \$240 million today. A key reason to not do this is if there is a possibility we would need to borrow again in the near future.

I support the committee, as well as the budget committees as they weigh the various options and will be happy to engage in discussions on how best to prioritize them as the Legislative session progresses.

Thank you for your consideration and this opportunity to testify.

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