

February 19, 2021

The Honorable Steve Johnson, Chairperson
House Committee on Insurance and Pensions
Statehouse, Room 276A-W
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2405 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2405 is respectfully submitted to your committee.

HB 2405 would authorize the issuance of \$1.0 billion in bonds for the Unfunded Actuarial Liability (UAL) of the Kansas Public Employee Retirement System (KPERS). The Kansas Development Finance Authority (KDFFA) would be authorized to issue one or more revenue bonds not to exceed \$1.0 billion plus the costs of issuance. The bonds would be subject to the approval of the State Finance Council and a maximum 3.5 percent interest rate on the bonds.

According to KDFFA, the estimated debt service payment on a \$1.0 billion 30-year bond issuance would be approximately \$49.8 million to \$55.9 million annually, depending on the cost of bond issuance. The Division of the Budget would assume this amount would be paid from the State General Fund and would require funding in a subsequent appropriations bill.

The KPERS' consulting actuary completed study of HB 2405 and notes that the \$1.0 billion from the bond proceeds would first be reflected in the December 31, 2020 actuarial valuation. This valuation would set the employer contribution rates for FY 2024. Under the current schedule of KPERS State/School Group employer contributions, a total of \$13.56 billion is estimated to be received by the system for the 30 years. The actuary estimates that the addition of \$1.0 billion toward the UAL would reduce employer contributions over the same time period to \$12.11 billion, for a net savings of approximately \$1.5 billion. With the bond proceeds, the employer contribution rate is estimated to reduce from 14.69 percent (including KPERS Death and Disability Program contributions) to 12.03 percent in FY 2024, or a difference of 1.66 percent. A similar percentage

reduction would happen each year from the current projected employer contribution rates for the KPERS State/School Group through the remaining amortization period. The bill would take effect upon its publication in the *Kansas Register*. Any fiscal effect associated with HB 2405 is not reflected in *The FY 2022 Governor's Budget Report*.

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
Jeff Scannell, Department of Administration
Bonnie Hawkins, KDFA