

February 2, 2017

The Honorable Carolyn McGinn, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S
Topeka, Kansas 66612

Dear Senator McGinn:

SUBJECT: Fiscal Note for SB 115 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 115 is respectfully submitted to your committee.

SB 115 would liquidate in FY 2017 the long term investment portfolio of idle funds that the State Treasurer has transferred to the Kansas Public Employees Retirement System (KPERS) for long term investment. The long term investment portfolio has more commonly been referred to as the Treasurer's Unclaimed Property (TUP) Fund. Since FY 2001, the State Treasurer has transferred idle fund balances equivalent to the net amount of unclaimed property received by the state each year to the TUP Fund at KPERS to allow for greater investment returns for the state's idle funds. The amounts transferred represent idle fund balances of the State Treasury which are not specifically unclaimed property receipts or State General Fund balances.

The bill makes changes to the long term investment procedures for idle funds for the State Treasurer. Future transfers for long term investments of idle funds would not be tied to the net amount of unclaimed property received by the state each year, but would represent the amount of idle funds available for long term investments that are not necessary to maintain the cash flow needs of the State Treasury. The State Treasurer, after consulting with the Director of Investments of the Pooled Money Investment Board (PMIB), would also be allowed to liquidate future long term investments by certification, if the funds are needed to maintain the cash flow needs of the State Treasury.

The bill also requires \$317.1 million from state idle funds to be loaned by the PMIB to the State General Fund in FY 2017. The state would make annual loan payments of \$45.3 million for the next seven years, with the first loan payment due on June 30, 2018.

SB 115 would increase State General Fund revenues by \$362.1 million in FY 2017 and decrease State General Fund revenues by \$54.3 million in both FY 2018 and FY 2019. The bill would implement the Governor's budget recommendation to liquidate the long term investment portfolio of the state's idle funds in FY 2017 and to provide a bridge loan to the State General Fund to maintain a positive ending balance in FY 2017. The specific changes in State General Fund revenues for FY 2017, FY 2018, and FY 2019 are shown in the following table:

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Interest Earnings	\$45,000,000	(\$9,000,000)	(\$9,000,000)
Net Transfers	<u>317,100,000</u>	<u>(45,300,000)</u>	<u>(45,300,000)</u>
Total SGF Changes	\$362,100,000	(\$54,300,000)	(\$54,300,000)

Liquidation of the assets in the TUP Fund at KPERS is estimated to generate approximately \$366.1 million in FY 2017, including \$317.2 million in invested principal from the state's idle fund balances and approximately \$48.9 million in capital gains. The invested principal would be returned to the PMIB and the \$48.9 million in capital gains would be credited as State General Fund interest earnings. Since the State General Fund receives approximately \$9.0 million in interest earnings each year from the long term investments that the State Treasurer has invested in the TUP Fund at KPERS, liquidating these investment assets would reduce State General Fund interest earnings by approximately \$3.9 million in FY 2017 and by \$9.0 million in both FY 2018 and FY 2019.

The \$317.1 million loan to the State General Fund would be booked as a transfer from the PMIB to the State General Fund in FY 2017. Beginning in FY 2018 and continuing through FY 2024, the annual \$45.3 million loan payments would be booked as transfers from the State General Fund back to the PMIB.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: B.J. Harden, Office of the Treasurer
Scott Miller, PMIB