

March 7, 2022

The Honorable Steven Johnson, Chairperson
House Committee on Insurance and Pensions
Statehouse, Room 218-N
Topeka, KS 66612

Dear Representative Johnson:

SUBJECT: Neutral Testimony on SB 421

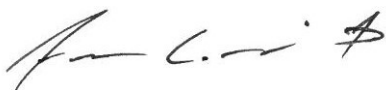
Thank you for allowing me the opportunity to provide neutral testimony on SB 421. This bill would transfer \$253.8 million of SGF to KPERS to payoff the outstanding balance of the state's skipped payments from FY17 and FY19 (layering payments).

The administration is in full support of the concept of utilizing the current budget surplus to eliminate the KPERS layering payment, and a nearly identical proposal was included in the Governor's budget recommendation (GBR) for FY22. Eliminating the KPERS layering payment will provide both immediate and long-term fiscal benefits to the state. It will immediately release \$25.8 million of SGF annually that would have otherwise been dedicated to debt service for this payment. Over the course of the next 16 years, eliminating this debt will allow the state to save approximately \$171.9 million in interest payments, all from the SGF.

The key difference between SB 421 and the Governor's recommendation is the mechanism for moving the funds. While SB 421 is a revenue transfer (direct transfer from the SGF to KPERS), the Governor is recommending appropriating the funds to the Department of Education, who would then make the payment to KPERS for the purpose of eliminating the layering payments. By appropriating the funds to the Department of Education, and requiring them to make the final payment, the state will properly account for the state's budget expenditures that were not made during FY17 and FY19. If the state were to instead move forward with a revenue transfer, as is required in SB 421, then we would not be properly accounting for these skipped expenditures. It is for this reason that I submit this testimony as neutral rather than as a proponent.

I appreciate the committee's support of the Governor's recommendation to eliminate the KPERS layering payment. I am happy to answer any questions that the committee might have.

Sincerely,



Adam Proffitt
Director of the Budget