SESSION OF 2015

CONFERENCE COMMITTEE REPORT BRIEF
SENATE BILL NO. 228

As Agreed to March 31, 2015

Brief*

SB 228 would allow the Kansas Development Finance Authority (KDFA) to issue bonds, in one or more series, in an amount not to exceed $1.0 billion, plus all amounts required to pay the costs of issuance. No bonds would be issued without the approval of the State Finance Council, which could meet while the Legislature is in session. The proceeds from the bonds would be applied to the unfunded actuarial pension liability, as directed by the Kansas Public Employees Retirement System (KPERS). Debt service would be payable from appropriations. The interest rate of the bonds, all inclusive cost, would not exceed 5.0 percent. The bonds issued and interest owed would be an obligation of KDFA and not KPERS. The bonds issued would not be considered a debt or obligation of the State for purposes of the Kansas Constitution. The Department of Administration and KDFA would be authorized to enter into contracts to implement the payment arrangement after the bonds are issued.

The employer contribution rate for the State-School Group would decrease from 12.37 percent to 10.91 percent in FY 2016 and from 13.57 percent to 10.81 percent in FY 2017, provided debt service payments would not be financed using capitalized interest or have capitalized interest-only service payments. "Capitalized interest" would mean payments on the bonds that are pre-funded or financed from bond proceeds as part of the issue for a specified period of time in order to offset one or more initial debt service payments.

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*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at http://www.kslegislature.org/klrd

The bill would be in effect upon publication in the *Kansas Register.*

Conference Committee Action

The Conference Committee agreed to delete the contents of SB 228, which would have defined the terms "police," "policeman," and "policemen" for purposes of the Kansas Police and Fireman's Retirement System, and inserted the language of SB 168, as amended and passed by the Senate, to authorize $1.0 billion in bonds and re-set the employer contribution rates for FY 2016 through FY 2018 if certain conditions were met. The Conference Committee agreed to further amend the bill by deleting the revised employer contribution rate for FY 2018.

Background

SB 168. In the Senate Select Committee on KPERS, testimony in favor of the bill was provided by representatives of the KPERS Board of Trustees. Assuming the proceeds of the bonds were received by the end of calendar year 2015, the funded ratio would increase from 60.7 percent to 66.0 percent. The unfunded actuarial liability would be estimated to decrease from $7.26 billion to $6.28 billion at that same point in time.

There was no opponent or neutral testimony.

The Senate Committee amended the bill to specify employer contribution rates for the State-School Group for FY 2016 through FY 2018 would decrease if certain debt service conditions are met.

According to subsequent analysis provided by KPERS, which assumes the State General Fund finances approximately 85.0 percent of KPERS employer contributions, the bill as recommended by the Conference

Committee would save an estimated $63.6 million from the SGF compared to current law requirements. This amount would include $5.4 million in FY 2016 and $58.2 million in FY 2017. Debt service is estimated to be approximately $60.2 million annually.

bonds; KPERS

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