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Larry L. Campbell, Director

Laura Kelly, Governor

May 7, 2019

The Honorable Jim Kelly, Chairperson
House Committee on Financial Institutions and Pensions
Statehouse, Room 581-W
Topeka, Kansas 66612

Dear Representative Kelly:

SUBJECT: Fiscal Note for HB 2218 by House Committee on Financial Institutions and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2218 is respectfully submitted to your committee.

HB 2218 would change legislator pay, beginning January 11, 2021. On and after that date, legislators would receive compensation of $35,000 per year during his or her term of office. Additionally, legislators serving in leadership positions would continue to receive additional compensation, including $14,039 per year for the President of the Senate and Speaker of the House of Representatives; $7,165 for the Speaker Pro Tem of the House of Representatives, the Vice President of the Senate, and the assistant majority and minority leaders of the Senate and House of Representatives; $11,290 for the chairperson of the Senate Committee on Ways and Means and the House Committee of Appropriations; and $12,666 for the majority and minority leaders of the Senate and the House of Representatives.

In addition, no legislator on or after January 11, 2021 would be a member of KPERS under the provisions of HB 2218. Any member of the Legislature serving a term that commences prior to January 11, 2021, would receive accrued KPERS benefits at the appropriate time, but would cease to be active members on that date. The bill would also eliminate additional compensation and subsistence expenditures for legislators when the Legislature is not in session.

According to Legislative Administrative Services, the enactment of the bill would cost approximately $927,000 from the State General Fund more in salary expenditures than the rate of salary, subsistence, legislative allowance, and mileage costs that occurred during FY 2018. The agency estimates that the projected costs of salary and wages (including fringe benefits) would cost $6.2 million under the provisions of HB 2218. For FY 2018, the agency reports that $5.3 million was spent on salary, subsistence, legislative allowance, and mileage expenditures, which is a difference of approximately $927,000.

KPERS reports that its consulting actuary competed a cost study on freezing legislator benefits as of December 31, 2017, for a separate project. Because the size and general demographic makeup of the legislator group is not expected to change significantly before January 11, 2021, the agency used data from this separate project for the fiscal effect of the bill. Because benefits would be frozen after this date, a large portion of the existing liability for legislators would remain in place after KPERS membership would be closed to legislators. KPERS estimates the unfunded actuarial liability would increase by approximately $100,000. The estimated change in the employer contribution rate would increase by 0.04 percentage points beginning in FY 2023. However, the statutory rates for FY 2023 are not certified until the December 31, 2019 actuarial valuation. The agency estimates that the estimated contribution increase from the additional rate would cost approximately $300,000 in FY 2023. Any fiscal effect associated with HB 2218 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

L. Campbell

Larry L. Campbell
Director of the Budget

cc: Karen Clowers, Legislative Services
Jarod Waltner, KPERS