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Adam Proffitt, Director

Laura Kelly, Governor

March 3, 2021

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

Dear Senator Billinger:

SUBJECT: Fiscal Note for SB 266 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 266 is respectfully submitted to your committee.

SB 266 would implement the Governor's recommendations by establishing in statute a new 24-year amortization period (from the currently remaining 14 years) for the KPERS State/School Group legacy unfunded actuarial liability, as well as folding in the layering payments from the missed employer contributions from FY 2017 and FY 2019 in the reamortization. The current amortization period was set in 1993 for a period of 40 years. Under current law, amortization methods and decisions are determined under the authority of the KPERS Board of Trustees. The amortization schedules of all other KPERS groups would not be changed.

The bill would require the Director of the Budget to certify to the Director of Accounts and Reports in the Department of Administration lapses from State General Fund accounts and decreases to special revenue fund expenditure limitations in each state agency within the KPERS State/School Group. The amounts of the lapses and decreases would be equal to reductions to KPERS State/School Group employer contributions in FY 2022 resulting from establishing the new amortization period. A copy of the certification would be provided to the Director of Legislative Research.

KPERS' consulting actuary completed a cost study based on the Governor's reamortization recommendation. Extending the amortization period by 10 years (out to 24 years from the currently remaining 14 years) would reduce employer contributions in the near term but increase the overall cost to pay down the unfunded actuarial liability. The actuarial required contribution rate would decrease from 15.09 percent to 11.92 percent in FY 2022 (including KPERS Death and Disability contributions). By FY 2025, the rate would decrease from 14.52 percent to 11.32

percent. However, reamortizing the KPERS State/School Group legacy unfunded actuarial liability would cost an additional $4.6 billion from all funding sources over the long term compared to the current amortization schedule.

For budget savings included in *The FY 2022 Governor's Budget Report*, the Division of the Budget calculated savings using FY 2022 payroll information in submitted state agency budgets for the KPERS State Group and information from the 2020 Education Consensus Estimating Group for the KPERS School Group. Reducing the KPERS employer contributions from 15.09 percent to 11.92 percent in FY 2022 would generate net expenditure savings totaling $177.3 million from all funding sources, including $158.7 million from the State General Fund. This estimate includes folding in the annual State General Fund layering payments of $25.8 million from the missed KPERS School Group employer contributions from FY 2017 and FY 2019 in the reamortization. By FY 2025, the KPERS employer contribution rate would reduce from 14.52 percent to 11.32 percent, with associated expenditure savings of $173.4 million from the State General Fund. The fiscal effect associated with SB 266 is reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS