SESSION OF 2022

SUPPLEMENTAL NOTE ON SUBSTITUTE FOR SENATE BILL NO. 450

As Recommended by Senate Committee on Financial Institutions and Insurance

Brief*

Sub. for SB 450 would enact law and amend law relating to the sale of certain state real property.

Sale and Conveyance of Real Property—State Educational Institutions

The bill would amend law to permit, upon specific authorization of the Kansas Board of Regents (Board) and in accordance with the Board's policies, the sale and conveyance of real property given as an endowment, bequest, or gift to a state educational institution.

The bill would require the Board to:

- Adopt policies governing the procedures under which state educational institutions may sell and convey real property given as an endowment, bequest, or gift to such institution; and
- Annually submit a report to the Legislature listing any real property transfers that occurred during the prior fiscal year pursuant to the requirements of this bill.

[*Note:* As defined in KSA 76-711, a "state educational institution" means the University of Kansas, Kansas State

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org

University, Wichita State University, Emporia State University, Pittsburg State University, and Fort Hays State University.]

State Surplus Real Estate

The bill would amend provisions pertaining to the disposition of proceeds from the sale of surplus real estate of state agencies to provide on and after July 1, 2022, all proceeds from each sale would be credited to the appropriate agency fund. Provisions of law added by this bill relating to the sale and conveyance of real property given as a gift, endowment, bequest, or gift would be subject to the requirements pertaining to the disposition of proceeds for such property and not to the requirements for disposition of proceeds applicable to State surplus real estate.

Under current law, these proceeds must be credited as follows:

- 20.0 percent of the proceeds from the sale must be credited to the agency that owns the property; and
- 80.0 percent of the proceeds from the sale must be credited to the Kansas Public Employees Retirement Fund (Trust Fund) for the payment, in full or part, of the unfunded actuarial pension liability as directed by the Kansas Public Employees Retirement System (KPERS).

The bill would also make technical amendments.

[*Note:* The provisions pertaining to the disposition of proceeds requiring the crediting to the Trust Fund were added to law in 2012 Senate Sub. for Sub. for HB 2333, the KPERS Omnibus bill, which made several changes in retirement benefits and plan design to improve the overall funding position of the Retirement System. Prior to enactment of this law, 80.0 percent of the proceeds were credited to the State General Fund.]

Background

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of Senator Longbine. [*Note:* A companion bill, HB 2598, has been introduced in the House.]

The substitute bill also contains the provisions of SB 322, which was introduced by the Joint Committee on Pensions, Investments and Benefits.

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, a representative of the Kansas Board of Regents (Board) and an architect with the University of Kansas presented **proponent** testimony on the bill, stating the bill originated as one piece of the Board's capital renewal initiative designed to address state universities' deferred maintenance backlog. The representative further explained the bill would assist the Board in reducing its physical footprint, which in turn will decrease maintenance costs. The architect indicated revenues associated with the bill, if enacted, would be spent on deferred maintenance and improved space utilization needs on the Lawrence campus. The architect cited other effects of these expenditures: reduction of campus footprint, deferred maintenance costs, annual utility costs, and square footage that custodial and maintenance workers need to maintain; and removal of fiscal liability in maintaining the property.

Written-only proponent testimony was submitted by representatives of Emporia State University and Kansas State University.

A representative of KPERS presented neutral information regarding the history of transfers since enactment of the 2012 law. The representative indicated KPERS has received proceeds from seven sales of surplus real estate since 2012, and those proceeds transferred to the Trust Fund totaled $1.9 million. The representative also noted that in each instance where a Regents institution received statutory authority to sell surplus real estate since 2012, the legislation specifically exempted the sale from the requirements of KSA 75-6609.

No other testimony was provided.

The Senate Committee recommended a substitute bill, which retains the provisions of SB 450, as introduced, and inserts provisions from SB 322, which removes the required crediting of 80.0 percent of State surplus real estate property sale proceeds to the Kansas Public Employees Retirement Fund.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Kansas Board of Regents indicates the enactment of the bill would increase proceeds to the universities from the sale of property, but the amount would depend on several factors to include whether a university has real property to sell as well as the value of the property. The Board indicates the bill would also eliminate the administrative burden for state universities requesting legislation to retain the proceeds from the sale of real property.

KPERS indicates enactment of SB 450 would have no fiscal effect on expenditures and any additional income lost from the bill's enactment would be negligible. Similarly, in the fiscal note prepared for SB 322, KPERS indicated the fiscal effect resulting from the enactment of the bill would be negligible to the Trust Fund.

Any fiscal effect associated with the bill is not reflected in *The FY 2023 Governor's Budget Report*.

Surplus real property; State Board of Regents; State educational institutions