

February 3, 2023

The Honorable Nick Hoheisel, Chairperson
House Committee on Financial Institutions and Pensions
300 SW 10th Avenue, Room 582-N
Topeka, Kansas 66612

Dear Representative Hoheisel:

SUBJECT: Fiscal Note for HB 2102 by House Committee on Financial Institutions and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2102 is respectfully submitted to your committee.

HB 2102 would appropriate \$250.0 million from the State General Fund in FY 2023 for the State Treasurer to repurchase State of Kansas - KPERS Series 2021K pension obligation bonds at a discount up to 75.0 percent of the principal amount at maturity and to pay for accrued interest and transaction costs. The bill would take effect upon its publication in the *Kansas Register*.

The Office of the State Treasurer states directing a tender offering to repurchase and retiring a portion of Series 2021K would require the agency to enter into agreements with the Kansas Development Finance Authority (KDFA) and the Department of Administration and possible other agencies and parties. Additionally, the Office of the State Treasurer indicates the agency would need to account for expenditures using existing procedures; however, the agency estimates that any additional duties resulting from the enactment of the bill could be absorbed within existing agency resources.

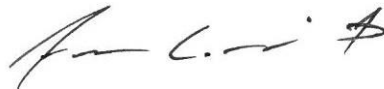
KDFA states the bill would allow the Office of the State Treasurer to purchase up to \$333.3 million of KDFA taxable revenue bonds for Series 2021K at prices reflecting a discount of up to 75.0 percent, including transaction costs. Also, KDFA states that since bondholders cannot be compelled to sell their bonds at this price, the actual amount that the State Treasurer would be able to repurchase would depend on the bondholders' willingness to do so.

The total gross debt service for Series 2021K, when it was issued, was \$725,349,064 and of that amount, \$504,535,000 was for the principal portion and \$220,814,064 was for the interest

portion. The first debt service payment for Series 2021K was made in FY 2022 and the final scheduled payment is in FY 2051. According to KDFA estimates, if HB 2102 is enacted, and assuming the bondholders would tender all of the \$300,000,000 2051 term bond, \$300,000,000 in principal would be retired. The savings on interest are estimated to be \$177,445,984. The remaining amount on the bond would be \$199,545,121, including \$175,305,000 for principal and \$24,240,121 for interest. The bond would be paid off in FY 2036. The above estimates do not include the FY 2022 or FY 2023 debt service payments.

The Department of Administration states enactment of the bill would not have a fiscal effect on agency operations. Any fiscal effect associated with HB 2102 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: John Hedges, Office of the State Treasurer
Bonnie Hawkins, Kansas Development Finance Authority
Tamara Emery, Department of Administration