

SESSION OF 2017

SUPPLEMENTAL NOTE ON SENATE BILL NO. 115

As Amended by Senate Committee on Ways
and Means

Brief*

SB 115, as amended, would liquidate \$100.0 million of the \$317.0 million available from the long term investment portfolio of idle funds the State Treasurer has transferred to the Kansas Public Employees Retirement System (KPERs) for long term investment and deposit those funds in the Pooled Money Investment Portfolio (PMIP). The long term investment portfolio has more commonly been referred to as the Treasurer's Unclaimed Property (TUP) Fund. Since fiscal year (FY) 2001, the State Treasurer has transferred idle fund balances equivalent to the net amount of unclaimed property received by the State each year to the TUP Fund at KPERs to allow for greater investment returns for the State's idle funds. The amounts transferred represent idle fund balances of the State Treasury, which are not specifically unclaimed property receipts or State General Fund balances.

The bill would require \$100.0 million from State idle funds to be loaned from the PMIP to the State General Fund in FY 2017. The State would make annual loan payments of \$25.0 million for the next four years, with the first loan payment due on June 30, 2018.

The bill would also make changes to the long term investment procedures for idle funds for the State Treasurer. Future transfers from the PMIP would not be tied to the net amount of unclaimed property received by the State each year, but instead represent the amount of idle funds available for long term investment that are not necessary to maintain

*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>

the cash flow needs of the State Treasury. The State Treasurer, after consulting with the Director of Investments of the Pooled Money Investment Board (PMIB), would also be allowed to liquidate future long term investments by certification, if the funds are needed to maintain the cash flow needs of the State Treasury.

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

Background

The bill was introduced by the Senate Committee on Ways and Means. In the Senate Committee hearing a representative of the Kansas Policy Institute (KPI) testified as a proponent of the original bill. The KPI representative stated the bill was the most pragmatic approach to resolve the current budget shortfall without major budget reductions or tax increases. The representative further stated the State budget should be balanced *via* budget reductions starting in FY 2018 with statewide expenditure reductions of 8.0 percent achieved through operating efficiencies. No further testimony was provided.

Liquidation of the assets in the TUP would generate approximately \$48.9 million in capital gains (above the \$317.0 million in principal), which would be credited to the State General Fund as agency earnings. This revenue would occur upon liquidation without further bill language being required. The bill would also reduce agency earnings from interest on the assets in the TUP by \$3.7 million starting in FY 2017 and \$9.0 million in each year thereafter.

The Senate Ways and Means Committee amended the bill to reduce the amount liquidated from \$317.0 million in FY 2017 to \$100.0 million. The Committee also reduced the amount to be transferred from the PMIP to the State General Fund from \$317.0 million to \$100.0 million in FY 2017 and reduced the repayment schedule from seven payments of

\$45.3 million to four payments of \$25.0 million starting in FY 2018. The amendment would also reduce lost interest earnings by an amount yet to be determined as the funds currently are being held in short term investments pending resolution of the legislation.

According to the fiscal note prepared by the Division of the Budget on the original bill, liquidation of the assets in the TUP Fund at KPERS is estimated to generate approximately \$366.1 million in FY 2017, including \$317.2 million in invested principal from the State's idle fund balances and approximately \$48.9 million in capital gains. The invested principal would be returned to the PMIB and the \$48.9 million in capital gains would be credited as State General Fund interest earnings. Since the State General Fund receives approximately \$9.0 million in interest earnings each year from the long term investments the State Treasurer has invested in the TUP Fund at KPERS, liquidating these investment assets would reduce State General Fund interest earnings by approximately \$3.9 million in FY 2017 and by \$9.0 million in both FY 2018 and FY 2019.