

Authorization for the Issuance of \$1.0 Billion in Bonds; KPERS Employer Contribution Rates; SB 228

SB 228 allows the Kansas Development Finance Authority (KDFA) to issue bonds, in one or more series, in an amount not to exceed \$1.0 billion, plus all amounts required to pay the costs of issuance. No bonds may be issued without the approval of the State Finance Council, which could give that approval while the Legislature is in session. The proceeds from the bonds must be applied to the unfunded actuarial pension liability, as directed by the Kansas Public Employees Retirement System (KPERS). Debt service is payable from appropriations. The interest rate of the bonds, all inclusive cost, must not exceed 5.0 percent. The bonds issued and interest owed are an obligation of KDFA and not KPERS. The bonds issued are not considered a debt or obligation of the State for purposes of the *Kansas Constitution*. The Department of Administration and KDFA may enter into contracts to implement the payment arrangements after the bonds are issued.

The employer contribution rate for the State-School Group will decrease from 12.37 percent to 10.91 percent in FY 2016 and from 13.57 percent to 10.81 percent in FY 2017, provided debt service payments are not financed using capitalized interest or have capitalized interest-only service payments. "Capitalized interest" means payments on the bonds that are pre-funded or financed from bond proceeds as part of the issue for a specified period of time in order to offset one or more initial debt service payments.