Approved: Carl Dean Holmes
Date 2/19/98

MINUTES OF THE HOUSE COMMITTEE ON FISCAL OVERSIGHT.

The meeting was called to order by Chairperson Carl Holmes at 9:00 a.m. on January 23, 1998 in Room 527-S of the Capitol.

All members were present except: Representative Barbara Allen - Excused
Representative John Edmonds - Excused
Representative Bob Grant - Excused
Representative Dennis McKinney - Excused
Representative Mike O'Neal - Excused
Representative Eber Phelps - Excused
Representative Dennis Wilson - Excused

Committee staff present: Rae Anne Davis, Legislative Research Department
Alan Conroy, Legislative Research Department
Pat Talbott, Committee Secretary

Conferees appearing before the committee: Gloria Timmer, Director of the Budget
William F. Caton, President,
Kansas Development Finance Authority
Rebecca Floyd, KDFA
Judy Moler, Association of Counties
Linda Wood, Chief Financial Analyst,
Kansas Development Finance Authority

Others attending: See attached list

Chairperson Carl Holmes introduced Ms. Gloria Timmer, Director of the Budget, to the Fiscal Oversight Committee. Ms. Timmer noted that the Committee was looking at the amended fiscal note for **SB18**, dated April 10, 1997 (Attachment 1). She commented that the amended bill was exceedingly more complex than the original bill and the major impact of the bill would affect the Department of Administration and the Kansas Development Finance Authority.

Ms. Timmer introduced Mr. William Caton, President, Kansas Development Finance Authority (KDFA), to the Committee.

Mr. Caton gave a brief analysis of **SB18** . He said the bill proposed amendments to various statutes which mandate the filing of statements of substantial interest; prohibit State officers and employees from entering into certain contractual and employer/employee relationships; and control certain aspects of lobbying.

Mr. Caton distributed to the Committee a detailed memorandum regarding the *Fiscal Note Request* on **SB18** (Attachment 2). He asked the Committee to peruse the last page of the document which showed the estimated annual fiscal impact of the bill on the State of Kansas.

Chairperson Holmes questioned the local government personnel costs and asked whether or not there had been information gathered from the League of Kansas Municipalities, or the Association of Counties. Mr. Caton's associate, Rebecca Floyd, commented that she had spoken with Mr. Chris McKenzie of the League, as well as a representative from the Association of Counties. Ms. Timmer noted that she also had spoken with people from the League of Kansas Municipalities

Judy Molar, of the Association of Counties, said her agency did not respond to the fiscal note request because there was no way to determine the cost.

Chairperson Holmes asked what was included under competitive bid at the local government level. Ms. Floyd responded that all professional contracts and services, and all municipal bonds were included.
Chairperson Holmes asked for a clearer definition of professional and was given the policy definition.

MINUTES OF THE HOUSE FISCAL OVERSIGHT COMMITTEE, Room 527-S Statehouse, at 9:00 a.m. on January 23, 1998.

Chairperson Holmes commented that there were too many interpretations of what was actually professional and that was one of the reasons for the difference of opinion. Mr. Caton explained that, in his opinion, **SB18** could create increased bureaucracy at the local level.

Chairperson Holmes asked if Mr. Caton would stand behind the estimated annual fiscal impact on Kansas as stated in the fiscal note for **SB18**. Mr. Caton responded that the nine million dollar figure regarding the additional FTE's was not an accurate figure, but it was a reasonable figure. Mr. Caton said, the way the bill is drafted, the impact on local governments would be significant.

Ms. Linda Wood, Chief Financial Analyst, KDFA, commented that representatives of small communities gave testimony in opposition to **SB18**. She noted the difficulty in getting competitive bids because often there is only one local supplier of a particular service.

Representative Joe Shriver expressed his concern regarding the bill because the dollar amounts had changed so drastically and so quickly. He stated that the legislature relies on information from the Department of the Budget for good fiscal policy and uses that information to make sound decisions. He noted that only one agency had stepped forward with written testimony to show costs.

Ms. Timmer commented that the Department of the Budget has the obligation to contact all the affected agencies they can find, local and state. She said that although they have a good cooperative effort with the agencies, they cannot make them respond.

Ms. Timmer noted that sometimes the legislative interpretation is unclear and much too speculative. She said it was better to give the legislature all the information, even though some might not be pertinent, and submit a corrected fiscal note later.

Chairperson Holmes noted that out of approximately 700 fiscal notes done by the Department of the Budget last year, only two or three were seriously challenged and that showed a high degree of confidence in the Budget Department. He mentioned that most of the fiscal notes that were challenged were because of no response from an agency.

Representative Reinhart commented that most of the legislators did not realize the ramifications of **SB18** at the time it was being heard.

Chairperson Holmes stated that the Fiscal Oversight Committee would meet on Monday, February 2, at 9:00 a.m., to discuss a bill that had been assigned to the Committee.

The meeting was adjourned.

HOUSE FISCAL OVERSIGHT COMMITTEE
GUEST LIST

DATE: Jan. 23, 1998

NAME	REPRESENTING
Kelly Kultala	City of Overland Park
Judy Moler	Ks. Ass'n of Counties
Linda McConnell	KS Insurance Dept
George Barbee	Ks Assn Financial Serv's.
Ron Seeber	Dept of Admin
John Houlihan	Dept of Admin
Janelle Wilhite	Div of Budget
Gloria Timmer	Div of Budget
Rebecca Floyd	KS Development Finance Authority
Bill Caton	KDFA
Bruce Dimmitt	Independent
Shelby Smith	"
Craig Grant	KNEA
~~City~~ Don Seifert	City of Olathe

STATE OF KANSAS

DIVISION OF THE BUDGET

Room 152-E
State Capitol Building
Topeka, Kansas 66612-1575
(913) 296-2436
FAX (913) 296-0231

Bill Graves
Governor

Gloria M. Timmer
Director

April 10, 1997

AMENDED

The Honorable Janice Hardenburger, Chairperson
Senate Committee on Elections and Local Government
Statehouse, Room 143-N
Topeka, Kansas 66612

Dear Senator Hardenburger:

SUBJECT: Amended Fiscal Note for SB 18 by Joint Committee on Economic Development

In accordance with KSA 75-3715a, the following amended fiscal note concerning SB 18 is respectfully submitted to your committee.

Statements of Substantial Interests

As amended by the House Committee of the Whole, SB 18 changes current laws regarding financial disclosures by state employees. Currently, numerous elected officials and state employees must file statements of substantial interests with the Commission on Governmental Standards and Conduct. SB 18 would add officers and employees of the Department of Commerce and Housing, Kansas, Inc., the Kansas Technology Enterprise Corporation (KTEC), and unclassified employees of Regents institutions who are associated with Centers of Excellence or whose research is supported by funds committed to the Centers of Excellence to the group of those who must file statements of substantial interests. Currently, all state agency heads are required to return a list of all designees in the agency to the Commission on Governmental Standards. SB 18 would also make it necessary for the president of each institution governed by the Board of Regents to submit such a list for all employees engaged in economic development activities.

FISCAL OVERSIGHT
1-22-98
ATTACHMENT 1

Conflicts of Interest

The officers and employees of the Department of Commerce and Housing, KTEC, and Kansas, Inc. would not be allowed to be involved in the making of a contract with a person or business in which the officer or employee has a financial interest. A "financial interest" would not include passive investments in pension systems, annuities, mutual funds or brokerage accounts. Further, the bill addresses ethical considerations for state employees, state officers, and lobbyists. Current law restricts state employees who have participated in making contracts from accepting employment with that company for one year following termination from that job. This bill would prohibit accepting employment until the performance of the contract is completed, or until two years after termination of employment, whichever is sooner. The bill also prohibits the payment, promise of payment, or acceptance of payment for referring a person to a lobbyist for lobbying services. The bill also outlines certain legalities involved with a lobbying contract.

Official Compensation

Current law states that no state officer or employee can accept compensation for performance of official duties, except as provided by statute. This bill states that no legislator, state officer elected on a statewide basis, full time officer appointed subject to Senate confirmation or the spouse of an appointed officer can accept any present, promised or contingent monies, compensation, expenses or other allowance or economic opportunity under the following conditions:

1. If that opportunity is financed from monies budgeted by any entity created by state law, with the exception of a legislative salary.

2. If the legislator is paid under contract, bond, or any debt instrument issued by a state agency.

3. If the legislator is paid under any contract with any political or taxing subdivision of the state which receives at least 10.0 percent of its budgeted revenues from any state agency.

The bill outlines a number of circumstances to which these prohibitions would not be applicable.

Official Representation

This bill would also prohibit legislators from representing any person in a case before a state agency, except in the personal representation of the legislator, a member of the legislator's immediate family, or a person in which the legislator has a substantial interest. This would not apply to cases of workers compensation, cases before the Board of Tax Appeals, or cases in accordance with the Administrative Procedure Act.

KDFA/State Contracts

SB 18 would allow the Kansas Development Finance Authority (KDFA) to adopt rules and regulations establishing guidelines for the awarding of professional services contracts for state agencies and to adopt rules and regulations establishing guidelines for the acceptance of competitive bids upon the sale of bonds by an agency of the state, any body politic, or any other entity created by state law. Unless otherwise provided by law, all contracts for provision of professional services to state agencies would be in conformance with the guidelines set by KDFA. The bill defines "professional services" and sets certain guidelines regarding the competitive bid process which are to be followed by the Authority. Current law provides that all contracts secured under competitive bidding must be awarded to the lowest competitive bidder. KDFA guidelines would become the final determinant in awarding competitive contracts for supplies, materials, equipment or contractual services, construction projects, ancillary technical services, and several professional services which are statutorily exempt from current contracting guidelines.

The bill strikes the definition of a "negotiating committee" contained in current law, but does not create a new definition. Under SB 18, as amended by the House Committee of the Whole, such a committee could not be used in instances where the contract falls under KDFA. Under SB 18, KDFA rules and regulations would supersede all existing statutes allowing the convening of "financial services negotiating committees" and "procurement negotiating committees."

Existing statutes establish strict guidelines for agency heads who utilize engineering and land surveying with respect to evaluation of individuals engaged in these professions. SB 18 would strike the restrictive language and mandate an agency head to provide such information annually. Also stricken from current law are provisions which entail lengthy procedures for hiring engineers or land surveyors. The bill adds provisions that the agency head notify the Director of Purchases that entering into such a contract is desired.

Sale of Bonds

Also provided in existing statute are several provisions related to municipal bonds which are sold at public auction. SB 18 mandates that "all" municipal bonds be sold at public auction with sealed bids. Current law also allows alternatives to providing notices of date and time of sale of bonds. SB 18 would remove such provisions from law. This means that all public sale of bonds would be mandated to comply with certain notice provisions. The bill also makes several technical changes.

Bill History

As introduced, the bill restricted employees of the Regents institutions who were involved in economic development activities without defining parameters for "economic development activities." Further, the introduced version of the bill did not have a definition of "financial interest."

As amended by the Senate Committee on Elections and Local Government, the bill did not contain provisions related to the making of contracts, referral of lobbyists, or lobbying contracts.

As amended by the House Committee on Economic Development, the bill contained only the provisions related to statements of substantial interests and prohibition of private employment following public service.

FISCAL IMPACT

KDFA/ State Contracts

KDFA

Passage of this bill would have a significant impact on the operations and responsibility of the agency. The scope of KDFA's authority would be significantly altered, requiring additional agency staff. KDFA assumes that all other state agencies and private entities would need additional legal staff to ensure compliance with KDFA rules and regulations related to contracting.

KDFA submits that the restrictions which this bill would place on bond sales would effectively eliminate all of its "conduit" private activity bond issuances. It is assumed that the issuance of refunding bonds would also be curtailed, since these bonds are usually sold on a negotiated basis, rather than through competitive bid. KDFA receives fees for private activity bond issuances, which totaled $87,989 in FY 1996 and $176,373 to date in FY 1997. If this bill passes, the agency estimates that this source of revenue would cease to exist. KDFA estimates that the long-term effect of this bill would be increased interest costs on refunding and revenue bond issues, and decreased revenues from the slowed rate of bond issuance. Cost estimates associated with this bill are as follows:

	Costs
KDFA Personnel and Operating Costs	$ 325,000
Loss of Conduit Issue Income	175,000
Other State Agency Personnel	3,640,000
Local Personnel Costs	9,000,000
Publication Costs	2,000,000
Interest Costs on Bonds	5,000,000
Total	$ 20,140,000

KDFA personnel and operating costs would include 4.0 additional attorney positions costing \$45,000 each, 4.0 support positions costing \$24,000 each, \$24,000 for additional office space, \$20,000 for capital outlay in the first year, and \$5,000 in miscellaneous expenses.

The loss of conduit issue income would greatly affect agency operations. KDFA receives fees for private activity bond issuances, which totaled \$87,989 in FY 1996 and \$176,373 to date in FY 1997. The agency estimates that the passage of this bill would end this source of revenue, depleting the agency of operating resources within two years.

KDFA assumes that this bill would also create a need for additional personnel at the local level, to ensure that localities comply with KDFA regulations. The agency estimates a need for 360.0 additional FTE positions at a cost of \$25,000 each. In addition, KDFA estimates 70 state agencies would need staff and support funding at a cost of \$3.64 million. The costs associated with other state agency personnel and local personnel cannot be verified by the Division of the Budget.

All state contracts would be based upon competitive bid. It would therefore be necessary to advertise the contracts in appropriate trade publications. KDFA estimates that such advertisements would cost the state \$2.0 million.

Since the sale of bonds would be performed on a competitive basis, as previously discussed, it is assumed that the costs associated with issuing bonds would rise. KDFA estimates that the interest costs on bonds would increase concurrent with rising administrative costs. The estimate includes \$3.0 million to state and local governments and \$1.5 million to private activity bond issuances. The interest costs on bonds are estimates provided by KDFA and cannot be verified by the Division of the Budget.

KDFA also notes the potential for the state to lose a portion of the state's \$150.0 million in private bond allocations resulting from an inability to sell the bonds in accordance with negotiated underwriting procedures, which are the industry standard in private activity bonds.

Department of Administration

The Department of Administration assumes that the intent of this bill is to acquire all state services on a competitive basis through the Division of Purchases. This would impact the operations of that program as follows:

3.0 Procurement Officers	\$ 147,000
3.0 Secretary II Positions	66,000
Other Operating Expenditures	18,900
Capital Outlay	18,000
Total	\$ 249,900

Statements of Substantial Interests

Kansas, Inc., KTEC, and the Board of Regents report that SB 18 would have no fiscal impact on their operating budgets. Further, the Commission on Governmental Standards and Conduct and the Secretary of State expect a negligible fiscal impact resulting from this bill. The Commission currently processes approximately 6,500 statements of substantial interests and would not expect the additional 193 (2.9 percent) to have a noticeable effect on the operations of the agency. The Secretary of State would expect an additional 200 filings annually. The Department of Commerce and Housing reports that while the bill makes special mention of the agency, current practices regarding filing requirements would not be affected.

Conflicts of Interest, Official Compensation and Official Representation

These sections of the bill would have no perceivable fiscal impact.

Sincerely,

Gloria M. Timmer

Gloria M. Timmer
Director of the Budget

cc: Sherry Brown, Commerce & Housing
Cindy Diehl, KTEC
Mikel Miller, Kansas, Inc.
Teresa Dean, Secretary of State's Office
Carol Williams, Governmental Standards & Conduct
Marvin Burris, Board of Regents

KANSAS

KANSAS DEVELOPMENT FINANCE AUTHORITY

Bill Graves
Governor

Wm. F. Caton
President

MEMORANDUM

DATE: April 9, 1997

TO: Gloria Timmer, Director of the Budget

FROM: William F. Caton, President and Linda Wood, Chief Financial Analyst

WFC LW

RE: Fiscal Note Request - Senate Bill 18

Pursuant to your request of yesterday afternoon, Kansas Development Finance Authority ("KDFA") has the following response:

ANALYSIS OF THE BILL

As originally introduced, Senate Bill ("SB") 18 proposed amendments to various statutes which mandate the filing of statements of substantial interest; prohibit State officers and employees, including legislators, from entering into certain contractual and employer/employee relationships; and control certain aspects of lobbying.

Substantive amendments to the bill were introduced on the floor of the House on Wednesday, April 2. The amended bill was then adopted by the House, on a vote of 117 to 4. Following is our synopsis of the amendments, which have significant impact on KDFA.

SB 18 amends KDFA statute 74-8904 to give KDFA the power to adopt rules and regulations establishing guidelines for the awarding of professional services contracts for State agencies, and for the acceptance of competitive bids upon the sale of bonds by any agency of the State, any body politic and corporate, or any other entity created by State law. Including the State, there are 3,918 taxing entities in Kansas. The bill also adds a *New Section 9* to our statute 74-8904, which provides that the KDFA Board of Directors will be responsible for the following:

1. Adopting rules and regulations establishing guidelines for the awarding of professional services contracts by all State agencies (subsequent language in the bill extends this proviso to municipalities as well).
2. Providing for the publication of solicitation of bids for professional services. Such publication shall be in both *The Kansas Register* and in the professional journal or other publication of the profession for which services are being sought.
3. Deliberating about and determining the award of all such professional services contracts.

700 S.W. JACKSON, SUITE 1000 / TOPEKA, KANSAS 66603-3758 / (913) 296-6747 FAX (913) 296-6810

FISCAL OVERSIGHT
1-23-98
ATTACHMENT 2

4. Judging whether an "agency emergency" exists which would allow waiver of the competitive bid process for professional services.

Much of the bill language amends statutes governing various State agencies' contract provisions to comply with the expansion of KDFA's authority concerning contracting for professional services for State agencies, but other important changes are also mandated in this bill. Sections 35 through 39 of the bill provide that virtually all municipal bonds shall be sold at public sale by competitive bid. The only exceptions have to do with bonds sold to the U.S. government or its agencies. Section 40 of the bill is a new law which mandates that the awarding of all contracts for professional services for municipalities involved in the issuance of general obligation or revenue bonds shall be awarded in conformance with guidelines established by KDFA's Board.

Section 41 of SB 18 provides that all bonds, as "bonds" are defined under KDFA statute 74-8902, for "any agency of the state, any body politic and corporate or any other entity created by any law of the state shall be sold at public sale upon the basis of competitive bids, in conformance with guidelines established pursuant to rules and regulations adopted by the board of directors of the Kansas development finance authority as provided in [amended] K.S.A. 74-8904, and amendments thereto."

EFFECT ON KDFA'S OPERATION AND AREA OF RESPONSIBILITY

As amended, passage of this legislation will have significant effect on KDFA's operation and area of responsibility, expanding strikingly the scope of KDFA's authority, and changing the current mission of KDFA. KDFA is mandated by SB 18 to adopt rules and regulations establishing guidelines for the awarding of professional services contracts for State agencies (*Section 9*) and for all other entities created by State law (*Section 41(b)*). KDFA is also charged with adopting rules and regulations establishing guidelines for the acceptance of competitive bids upon the sale of bonds by any State agency, municipality, political subdivision, or any other entity created by State law (*Section 8(x)*).

We believe the various types of professional services, as those are defined in the legislation, together with the dissimilar entities using those services, would make it virtually impossible to promulgate one generic set of rules and regulations for the award of contracts for professional services for all the entities mandated to use KDFA guidelines. Similarly difficult would be promulgating a single set of guidelines for the acceptance of competitive bids for the sale of bonds, because each bond sale has unique elements which must be considered. Consequently, KDFA believes it would be necessary to hire two attorneys to develop, refine and update such rules and regulations for State agencies and possibly two additional attorneys to perform this service for other entities and to monitor compliance with KDFA guidelines. So one immediate effect on KDFA's operation would be the addition of legal staff to carry out the directives of the legislation to establish rules and regulations for the awarding of professional services contracts and for the acceptance of competitive bids upon the sale of bonds. It is also our belief this bill would mean each State agency and every other public entity would need additional legal staff to assure their compliance with the new rules and regulations and to conform their assorted contracts and procedures in accordance with KDFA's rules and regulations.

In *Section 9*, SB 18 vests the KDFA Board of Directors (the "Board") with the authority to award professional services contracts. The volume of contracts required to be awarded pursuant to KDFA guidelines by the Board is staggering. Although KDFA believes that for public entities other than State agencies the intent of the legislation may be for KDFA to perform this service only for professional services associated with issuing bonds, the bill's definition of "professional services" encompasses all professions "licensed or regulated under the laws of the state of Kansas." This includes such diverse occupations as pesticide applicators, attorneys, barbers, accountants, bankers, teachers, food service providers, underwriters, etcetera.

At this time, the KDFA Board meets once monthly, typically for two to three hours each meeting. The Board members are appointed by the Governor and receive no compensation for their services. Currently the Board is comprised of three members who reside in Wichita, one member residing in Kansas City, and one Topeka resident. As all the current Board members are active professionals working in demanding careers, it is sometimes difficult to achieve a quorum for even the monthly meetings. Adoption of this legislation would necessitate more frequent, lengthier meetings of the KDFA Board to allow sufficient time to consider and award the many contracts which would have to be granted. It is uncertain whether the current Board members, one of whom is an elected local official who would potentially have many conflicts of interest, could be expected to continue to serve. Board members who would have to devote more time and bear even more responsibility may require compensation. Certainly the KDFA staff time required to prepare documentation and recommendations for the Board meetings would increase dramatically.

Although SB 18 mandates that all State agencies and public entities are subject to KDFA guidelines, no penalties are designated for non-compliance. Compliance oversight authority is not specifically delegated to KDFA. If the new law is to be implemented, KDFA would expect that all State agencies and public entities will need additional staff to monitor compliance and to administer the "provision [to the KDFA Board] of such information, records and assistance as the board may require in its deliberations and determination in awarding such contracts [for all professional services]."

The requirement in *Section 41* that all bonds issued under KDFA's statutes shall be sold at public sale by competitive bid would probably effectively eliminate all conduit private activity bond issuances by KDFA for low income housing, health care facilities, long-term assisted living facilities, manufacturing entities, and even the Beginning Farmer Loan Program. Those types of conduit transactions are typically structured, usually by an underwriter, before KDFA is even approached to effect the issuance of bonds. It would also curtail the issuance of refunding bonds, which are extremely sensitive to market fluctuations and so are typically sold on a negotiated basis.

DOLLAR EFFECT ON EXPENDITURES AND RECEIPTS

As indicated in the preceding paragraphs, KDFA anticipates significant dollar increases in its own expenditures for staff as well as those of other State agencies and public entities if this legislation is adopted. We conservatively estimate that at least seventy of the one hundred thirty-five State agencies would require one and one-half additional full-time equivalent positions, at a cost of $3,640,000 annually.

There will be significant costs to State agencies, KDFA and other public entities which KDFA believes would result from forcing all bond issues to be sold competitively. Hidden additional interest costs to all Kansas long-term borrowers, for example, are estimated to be $4 to $5 million annually. All levels of government are impacted by this legislation.

Adoption of SB 18 would also drastically reduce KDFA's receipts, if conduit financing transactions for private activity bond issues ceased to be sold through KDFA as we anticipate. Last fiscal year, fees from such bond issues were $87,989.45. For the period July 1 through March 31, 1997, fees generated for such issues were $176,373.28. It is anticipated this revenue source will continue to grow as KDFA issues private activity bonds which our statutes mandate as one of our functions. Current estimates of loss of revenues, together with increased operating costs is a net loss of $500,000 for the first year and approximately $475,000 annually thereafter. Without additional revenues to offset these costs, KDFA would be broke in two years.

ASSUMPTIONS USED TO DEVELOP ESTIMATES OF THE DOLLAR EFFECT ON EXPENDITURES AND RECEIPTS

Our experience in the business of issuing bonds and awarding professional services contracts leads us to believe the costs to KDFA, State agencies, and other public entities of implementing this legislation would be $20 million annually (see attached schedule), not to mention the probability of losing the State's $150,000,000 private activity bond allocation due to being unable to sell the bonds pursuant to negotiated underwriting procedures--the standard industry method for issuing bonds of this private character. **This legislation, which affects all levels of government, is an example of State mandates with no funding.**

The negative effect on KDFA's receipts is based on prior and current fiscal year's business, using the assumption prospective receipts would be similar. KDFA expenses are based on salaries and benefits for four attorneys and four support staff, and commensurate additional operating expenses.

CURRENT AND FUTURE STAFFING

KDFA anticipates enormous effect on current and future staffing should this legislation be adopted, as explained in previous paragraphs. Immediately, we anticipate adding two to four full time attorneys and two to four full-time support staff just at KDFA. State agencies and other entities would also need to add staff to administer the mandates. It is worth noting here that dozens of hours of KDFA staff time have already been spent reading and analyzing this bill, attending meetings about its ramifications, preparing this fiscal note response, contacting affected agencies and entities, and discussing the bill's possible effects with others.

LONG-RANGE FISCAL EFFECT

KDFA also sees immense long-range fiscal effect as a result of adoption of Senate Bill 18; however, we are unable to provide a dollar estimate of that effect. The form of this effect will be from increased interest costs, particularly on refunding and revenue bond issues, and from lost revenues from cessation of private activity bond transactions, which are typically negotiated rather than competitively structured.

We hope this response will be helpful to you. If we can answer any questions, or be of further assistance, please do not hesitate to contact us.

ESTIMATED ANNUAL FISCAL IMPACT ON KANSAS
SENATE BILL 18

ANNUAL COSTS TO KDFA

Loss of Conduit Issue Income	$175,000
4 staff attorneys @ $45,000	180,000
4 support staff @ $24,000	96,000
Additional office space	24,000
Misc. Expenses	5,000
Equipment expense (1st year)	20,000
TOTAL	$500,000

OTHER STATE AGENCY PERSONNEL COSTS

70 Agencies - 1 1/2 additional FTE @ $52,000 (1 attorney and 1/2 support staff)	$3,640,000

LOCAL GOVERNMENT PERSONNEL COSTS

360 FTE @ $25,000	$9,000,000

ADDITIONAL PUBLICATION COSTS

Multiple publications in trade magazines for all contracts	$2,000,000

ADDITIONAL INTEREST COSTS ON BONDS

State and Local Government	$3,500,000
Private activity (health care, housing, ect.)	$1,500,000

TOTAL ANNUAL COST $20,140,000

POTENTIAL ANNUAL LOSS OF PRIVATE ACTIVITY BOND ALLOCATION
$150,000,000