

SESSION OF 2013

SUPPLEMENTAL NOTE ON SENATE BILL NO. 245

As Amended by Senate Committee on Ways
and Means

Brief*

SB 245 would authorize the issuance of an additional \$202.0 million in revenue bonds for a total of \$307.0 million for the purpose of supporting capital improvement projects related to the National Bio and Agro Defense Facility (NBAF). The bill expands authority in existing law to expend bond proceeds for facility construction and improvements.

As amended, the bill directs the Executive Branch to insert provisions into the construction contract with the Department of Homeland Security for the NBAF requiring the federal government to maintain financial responsibility for any cost overruns or change orders in excess of the amount authorized in the construction contract.

As amended, the bill also directs the State Finance Council not to approve any additional bonding after May 8, 2013, prior to having a finalized contract for construction of the facility.

The bill would require the Department of Administration to be responsible for budgeting the payment of principal and interest on the bonds, subject to legislative appropriation of moneys for debt payments. The bill would provide that neither the state nor the Department of Administration shall have the power to pledge the full faith and credit or taxing power of the state for debt service. Likewise, an obligation of debt service on the bonds shall not be considered a debt or obligation of

*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 state for the purpose of Section 6 of Article 11 of the *Kansas Constitution*.

Background

The proposed site for locating the National Bio and Agro-Defense Facility (NBAF) is adjacent to the campus of Kansas State University, immediately adjacent to the Biosecurity Research Institute (BRI). The bonds would fund projects including land acquisition, road grading, parking, security fencing, and a dedicated central utility plant – which is standard for bio-containment laboratories.

Governor Brownback's Chief of Staff, Landon Fulmer, testified in support of additional bonding authority for NBAF. The Chief of Staff indicated construction of a flagship research laboratory would attract research and investment to the State of Kansas in addition to helping defend and protect the United State's food supply. The Kansas Farm Bureau, the Kansas Livestock Association, the Kansas Veterinary Medical Association, the Overland Park Chamber of Commerce, and the Greater Kansas City Chamber of Commerce submitted written testimony in support of the bill.

There was no opponent or neutral testimony on the bill.

The Legislature approved the first \$105.0 million in bonding authority in 2008 Senate Sub. for HB 2001. The state has issued \$74.9 million in debt for demolition, site preparation, construction of the central utility plant, and installation of utility lines. Approximately, \$35.1 million in bonding authority remains in the original bond approval. Issuance of the remaining \$35.1 million requires prior approval by the State Finance Council.

The Senate Committee on Ways and Means amended the bill to direct the Executive Branch to insert provisions into the construction contract with the Department of Homeland Security for the NBAF requiring the federal government to

maintain financial responsibility for any cost overruns or change orders in excess of the amount authorized in the construction contract.

Senate Committee on Ways and Means also amended the bill to direct the State Finance Council not to approve any additional bonding after May 8, 2013, prior to having a finalized contract for construction of the facility.

No fiscal note was received from the Division of the Budget at the time of the hearing. Discussions with the Kansas Development Finance Authority and Kansas State University indicate that payments on the additional bonding would not begin prior to FY 2015.