

SESSION OF 2014

SUPPLEMENTAL NOTE ON SENATE BILL NO. 412

As Recommended by Senate Committee on
Natural Resources

Brief*

SB 412 would transfer the authority to issue bonds from the Kansas Water Office (KWO) to the Kansas Development Finance Authority, with oversight and approval of the State Finance Council (Council). Before any bonds could be issued, the Council would be required to approve the proposed bonds and approve a maximum amount of bonds that may be issued.

The bill would authorize the bonds to be repaid by appropriations from the State General Fund, in addition to any appropriate KWO special revenue funds. The KWO also would be authorized to make provision for and fix charges in water supply contracts with water users who would receive benefit from the construction of a reservoir or from the purchase of space in existing reservoirs in order to assure prompt payment of the principal and interest on the bonds.

Background

The bill was introduced by the Senate Committee on Ways and Means. At the hearing on the bill, the Senate Committee on Natural Resources received testimony from the Assistant Director of the KWO who stated the bill does not expand the KWO's authority, but actually places constraints on the agency's existing authority to issue bonds on its own without further approvals. Additionally, the Assistant Director

*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>

stated the bill brings the process of issuing bonds in line with the established state procedures.

There was no opponent or neutral testimony on the bill.

The fiscal note provided by the Division of the Budget states revenue bonds repaid by the State General Fund generally carry lower interest costs. The fiscal effect of passage of the bill would be limited to lower interest rate charges and lower overall costs for the state, as the bonds would be backed by the State General Fund, as the authority for bond issuances already exists. Currently, there is a bond package proposed to be issued by the KWO for \$25.0 million for the dredging of John Redmond Reservoir. This bond is reflected in *The FY 2015 Governor's Budget Report*.