SESSION OF 2014

SUPPLEMENTAL NOTE ON SENATE BILL NO. 423

As Amended by Senate Committee of the Whole

Brief*

SB 423, as amended, would grant the Department of Administration the authority to sell the Landon State Office Building, the Eisenhower State Office Building, the Curtis State Office Building and parking facility, and the Van Buren Project. The sale would be subject to review by the Joint Committee on State Building Construction and approval by the State Finance Council.

The Van Buren Project and the Curtis State Office Building currently are not owned by the State; however, the Department for Children and Families (DCF) and the Department of Administration leases include an option to purchase agreement. The bill would grant the Secretary of Administration the authority to exercise that option to purchase on the behalf of DCF and to further convey the property according to the same restrictions and authorizations established on the Landon and Eisenhower State Office Buildings.

The bill, as amended, would direct 80.0 percent of the proceeds from the sale of the properties to the Kansas Public Employee Retirement System Trust Fund for the purpose of reducing the unfunded liability after any outstanding obligations on the properties are satisfied, including any outstanding bonds, closing costs, and costs and expenses associated with exercising an option to purchase. The remaining 20.0 percent of the proceeds from the sale would be deposited in a special revenue fund within the Department

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*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 of Administration for the Landon, Eisenhower and Curtis Buildings and DCF for the Van Buren Project.

The bill would further bar any affiliated person from bidding on or holding an interest in a company purchasing the property described above. “Affiliated person” would be defined to include any state or local official or family member of a state or local official within five years of the official holding office. The bill would also bar state or local officials from soliciting services or discounts from any person or business bidding on the property and bar those state or local officials from attempting to influence the bidding process. The bill would make violation of any provision described here a class A misdemeanor.

The bill would exempt the sale from the provisions of KSA 2013 Supp. 75-6609, including listing at public auction via a sealed bid procedure, listing with a licensed real estate broker or agent, appraisal of the property, and other provisions not relevant to the sale of the buildings described within the bill. The Department of Administration would be free to engage in any of the procedures described above but would no longer be statutorily compelled to do so.

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

Background

The Secretary of Administration testified as a proponent of the bill. The Secretary stated the bill does not require the Department of Administration to sell the property and any decision to sell the buildings would be made after comparing the lease costs over time as compared to the costs of ownership and determination was made that a sale would be favorable to the State. The Secretary further stated the properties could be sold individually or as a block.

The Senate Committee of the Whole amended the bill by redirecting the funding from the State General Fund to the Kansas Public Employee Retirement System Trust Fund and a special revenue fund within the agency owning the building. The Committee of the Whole also inserted a provision requiring review by the Joint Committee on State Building Construction and approval by State Finance Council. Finally, the Committee of the Whole inserted provisions to bar state or local officials or their families from benefiting from the sale of the buildings.

According to the fiscal note on the bill, because the bill authorizes the sale of the property and does not mandate the sale, enactment of SB 423 by itself would have no fiscal effect. Any fiscal impact would have to be determined after an agreement to sell one of the properties was made.