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MEMORANDUM

To: Chairman Ryckman and members of the House Appropriations Committee

From: Jill A. Wolters, First Assistant Revisor and Daniel Yoza, Assistant Revisor

Date: March 1, 2016

Subject: **HB 2703, Limiting the authority of state agencies to enter into indebtedness on behalf of the state; relating to the issuance of bonds by the Kansas development finance authority (KDFA)**

House Bill No. 2703 provides that no state agency shall enter into the following actions unless it has first been specifically authorized for such purposes by an appropriation or other act of the legislature or has been approved by the state finance council subject to certain provisions: (1) Borrow money upon the credit of the state; (2) contract any indebtedness on the credit of the state; (3) issue bonds; (4) acquire real estate; (5) contract with a third party to construct or improve any institution or facility on state-owned property in any way; (6) make expenditures for construction or improvements for any institutions or facilities of such state agency in any way; (7) pledge as collateral of any type any state-owned institution, facility or property; (8) enter into an agreement or assignment in which the rent payments are pledged as collateral; or (9) enter into a municipal lease obligation.

No action shall be approved by the state finance council or the legislature unless the state agency has: (1) Reviewed and evaluated the process on the selection of the parties involved in such action with the state building advisory commission; and (2) advised and consulted with the joint committee on state building construction regarding such action. The state finance council shall not have the authority to approve any action that is equal to or exceeds \$25,000,000. Any action that is equal to or exceeds \$25,000,000 shall be approved by the legislature.

This does not apply to the department of transportation's bonding authority pursuant to K.S.A. 68-2320 or 68-2328.

Further, the bill clarifies that:

1. KDFA must first have specific legislative approval for a project prior to issuing bonds requested by the secretary of administration.
2. KDFA shall not issue bonds based on the secretary of administration's authority to lease/manage property pursuant to K.S.A. 75-3651.
3. KDFA shall submit a monthly report of the financial transactions the authority has entered into or is in negotiation to enter into to the state finance council and the joint committee on state building construction. Under current law, an annual report is submitted to the governor and the legislature noting all bonds the authority has issued during the previous fiscal year.