

SESSION OF 2016

SUPPLEMENTAL NOTE ON SENATE BILL NO. 474

As Amended by Senate Committee on Ways
and Means

Brief*

SB 474, as amended, would authorize the State Finance Council to oversee the sale of the Kansas Bioscience Authority (KBA) or substantially all the assets of the authority. The authorization would apply regardless of whether the Legislature is in session.

The bill would revise provisions of the STAR Bond Financing Act to:

- Prohibit sharing of revenue from one district to another by making every existing and future district a silo project. This provision would not apply to projects approved prior to March 1, 2016;
- Provide for an annual Legislative Post Audit performance audit of the STAR Bond projects to determine:
 - The current status of all STAR bond projects;
 - Significant changes to each project during the previous year; and
 - Whether each project has complied with all requirements of the STAR Bond Financing Act and any other issues determined by the Legislative Post Audit Committee.

*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>

- Require the city or county with a STAR Bond district to pay the cost of the audit, which would be approved by the Legislative Post Audit Committee; and
- Void the provisos in 2016 House Sub. for SB 161 that prohibit the consideration, review, or approval of any STAR bond project in Wyandotte County, except for refunding of existing bonds in Wyandotte County in FY 2016 and FY 2017.

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

Background

A representative from the KBA provided an update on its status. KBA anticipated receiving the expected transfers but did not receive the full amount this year. KBA began working on creative solutions to how it can operate in the future given the circumstances. The representative noted four activities KBA needs to adjust:

- Scale down operations due to reduced transfers by decreasing from 14 to 3 staff;
- Work with the newly appointed Secretary of Commerce to explore options;
- Privatize KBA functions, which include outstanding grant commitments, real estate, investment portfolio, and
- Alignment within the Board itself.

The representative noted KBA wanted the transition to be an open and transparent process and to seek a final solution with options for all purposes, but mainly to operate for the good of Kansas. The representative noted originally the funding for the KBA was to sunset in 2019.

The KBA representative also noted the following:

- It would be preferable to proceed with any sale of assets sooner rather than later, because KBA is investing in small start-up companies and not having the funds to see them through maturity will put the companies at a disadvantage;
- An investment banker has analyzed assets as KBA is ready to market them to potential bidders, and KBA has given the investment banker characteristics and requirements for the bids, including the option of retaining an equity position;
- Any buyer would be unlikely to agree to a requirement that new capital not dilute the State's position;
- KBA's current grant commitment liabilities on the balance sheet now most likely would transfer;
- Long-term solutions for the building and land will be developed; and
- Any funds left over will be transferred to the State General Fund. The representative quantified the liabilities as of today to be \$28.0 million in commitments (building, land, outstanding grants) and noted sale of the building probably will pay off the debt.

The Department of Commerce provided written testimony in support of SB 474, stating the Department would work with KBA to ensure the State receives a fair return on the sale of the assets.

The Senate Ways and Means amended the bill to:

- Prohibit sharing of revenue from one STAR Bond district to another, excluding projects approved prior to March 1, 2016;
- Provide an annual Legislative Post Audit performance audit of the STAR Bond Projects, which would be paid by the city or county of the project district; and
- Void certain provisos in 2016 House Sub. for SB 161.

The fiscal note indicates SB 474 as introduced would have no fiscal effect. However, *The FY 2017 Governor's Budget Report* does include \$25.0 million in State General Fund revenue from the sale of KBA assets.