

SESSION OF 2020

**SUPPLEMENTAL NOTE ON HOUSE SUBSTITUTE FOR
SENATE BILL NO. 235**

As Recommended by House Committee on
Taxation

Brief*

House Sub. for SB 235 would expand and expedite the authority of cities, counties, and school districts to issue no-fund warrants under certain circumstances. The bill would also expand the authority of the Kansas Development Finance Authority (KDFA) to issue certain bonds.

The bill would permit, for unanticipated expenditures necessitated by a federal, state, or local disaster that has been declared an emergency, no-fund warrants to be issued *via* adoption and subsequent publication of resolutions by the governing bodies; and such warrants would not require subsequent approval of the State Board of Tax Appeals. The bill would require any such warrants issued to be redeemed within 5 years, and the maximum stated rate of interest could not exceed the daily yield for 10-year U.S. Treasury bonds plus 6 percent for interest excluded from federal income tax, or 7 percent for interest included for federal income tax purposes.

The bill would expand the authority of the KDFA to issue bonds to finance transfers or expenditures by the State or political subdivisions caused by federal, state, or local disasters declared as emergencies. Such bonds would be specifically authorized to include financing the acquisition of obligations issued by political subdivisions, including no-fund warrants, and political subdivisions would be authorized to enter into agreements with KDFA for purposes of the bill.

*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>

Background

The House Committee on Taxation on May 14, 2020, voted to remove the bill's original contents (relating to the statewide school finance levy, Capital Improvement State Aid demand transfer, and homestead exemption), insert the provisions related to no-fund warrants and bond authority of the KDFA, and recommend a substitute bill be created. Representative Kelly, who offered the motion, said the substitute bill had been created at the request of the League of Kansas Municipalities and others interested in streamlining and expanding the authority of local units to issue no-fund warrants given the financial stress associated with the COVID-19 pandemic. He also explained the KDFA language was associated with a specific new federal program that certain large cities might be able to utilize to help underwrite no-fund warrants in a more cost-effective manner.

A fiscal note for the substitute bill was not available when the House Committee took action.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2021 Governor's Budget Report*.