

March 12, 2020

The Honorable Carolyn McGinn, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S
Topeka, Kansas 66612

Dear Senator McGinn:

SUBJECT: Fiscal Note for SB 487 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 487 is respectfully submitted to your committee.

SB 487 would authorize the Department of Administration, in consultation with the Kansas Department of Health and Environment (KDHE), to issue bonds by the Kansas Development Finance Authority (K DFA) to construct and equip a KDHE laboratory on parking lot number four of the Capitol Complex in Topeka. The aggregate principal from the bond issuance could not exceed \$56,276,755, plus all amounts required for costs of bond issuance, costs of interests on the bonds during construction of the laboratory, credit enhancement costs, and any required reserves for payment of principal and interest of the bonds. The debt service for the bonds would be financed by appropriations from the State General Fund or any appropriate special revenue fund or funds.

The bill would authorize the Department of Administration to issue bonds by K DFA to renovate the Docking State Office Building by preserving the first three floors and building three additional floors. The aggregate principal from the bond issuance could not exceed \$100,306,092, plus all amounts required for costs of bond issuance, costs of interests on the bonds during construction of the project, credit enhancement costs, and any required reserves for payment of principal and interest of the bonds. The debt service for the bonds would be financed by appropriations from the State General Fund or any appropriate special revenue fund or funds. The bill would take effect upon its publication in the *Kansas Register*.

The Department of Administration states the bond amounts for each project would cover the cost of professional design services, construction, and project management. The Department indicates repayment of bonds would be paid through appropriations from the State General Fund

or from a special revenue fund or funds and on-going building operational costs would be collected by the Department through rent charged to tenants for the Docking State Office Building. For the KDHE laboratory, the Department indicates it would be a stand-alone facility that would have annual operating costs, including utilities. Operational costs would be determined for rent charged to KDHE and debt service would be paid through appropriations from the State General Fund or from a special revenue fund or funds. The Department estimates it would need an additional 15.00 FTE positions in future fiscal years for custodial operations at both the KDHE laboratory and the Docking State Office Building. The Department estimates additional expenditures of \$656,500 for the positions. The additional funding would come from rent charged to tenants.

KDFA estimates the debt service for both projects would be approximately \$10.3 million a year. Of that amount, \$3.8 million would be for the KDHE laboratory and \$6.5 million would be for the Docking State Office Building. These amounts are based on a 20-year amortization. KDFA notes that the actual debt service amounts would be based on the financial choices of the state and interest rates.

KDHE indicates enactment of the bill would require additional State General Fund expenditures of \$85,000 in both FY 2021 and FY 2022 for a temporary contractual staff member who would be responsible for the oversight of the project. Any fiscal effect associated with SB 487 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Dan Thimmesch, Health & Environment
Bonnie Hawkins, KDFA
Jeff Scannell, Department of Administration