

SESSION OF 2008

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2974**

As Recommended by House Committee on  
Appropriations

**Brief\***

HB 2974 would authorize the issuance of up to a net of \$105.0 million in revenue bonds for the purpose of supporting a capital improvement project relating to a National Bio and Agro Defense Facility (NBAF). The bill would require the Kansas Bioscience Authority to approve any such capital improvement project, including infrastructure related improvements, such as electrical, heating and cooling in a central utility plant, prior to the issuance of any bonds by the Kansas Development Finance Authority. The Kansas Bioscience Authority would receive the net proceeds from bond sales for making expenditures in support of the capital improvement project.

The bill would require that debt service shall be financed by the State General Fund or any other appropriate special revenue fund or funds, subject to appropriation by the Legislature. The term for debt service shall not exceed 20 years from the date of issuance. No debt service payments would be required prior to July 1, 2009. The bill would be effective July 1, 2008.

The bill would require the Department of Administration to be responsible for budgeting the payment of principal and interest on the bonds, subject to legislative appropriation of moneys for debt payments. The bill would provide that neither the state nor the Department of Administration shall have the power to pledge the full faith and credit or taxing power of the state for debt service. Likewise, an obligation of debt service

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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>

on the bonds shall not be considered a debt or obligation of the state for the purpose of Section 6 of Article 11 of the *Kansas Constitution*.

## **Background**

Kansas is one of six finalists in the nation for being selected as the site for the new NBAF. The proposed site for locating the National Bio and Agro-Defense Facility (NBAF) is on the campus of Kansas State University, immediately adjacent to the Biosecurity Research Institute (BRI). The bonds would fund projects including land acquisition, road grading, parking, security fencing, and a dedicated central utility plant – which is standard for bio-containment laboratories. The U.S. Department of Homeland Security estimated that the cost for infrastructure improvements to build the NBAF in Kansas would be up to \$105.0 million.

The Kansas Development Finance Authority (KDFA) is an instrumentality of the state that is statutorily delegated power to issue bonds for projects approved by the Legislature. HB 2974 would constitute the authorization for issuance of \$105.0 million in bonds for the Bioscience Authority to assist in the construction of a National Bio and Agro Defense Facility in Kansas, subject to the requirements specified in the bill. The Legislature would be responsible for appropriating necessary funding for debt service from the State General Fund or any suitable funding source under provisions of the bill.

Conferees appearing in support of HB 2974 included representatives from the Kansas Bioscience Authority and Kansas State University. They described the bill as one of the final guarantees that would assist in competing for the \$451.0 million federal research laboratory facility. The Department of Homeland Security (DHS) provided an estimate of \$105.0 million for infrastructure-related improvements, including a dedicated power plant. It was noted that if the state is awarded the project, the final amount of the state's cost share will be determined in negotiations with the DHS, but the amount will

not exceed the maximum of \$105.0 million. If there are higher costs, DHS will pay for the added expenses, representatives pointed out. If the state can negotiate a lower cost-share, then only that amount will be required from bonding, the representatives stated.

No fiscal note was received from the Division of the Budget at the time of the hearing. A representative from the Kansas Development Finance Authority provided information about bond costs based on the maximum amount of a net \$105.0 million issuance, subject to change and for illustrative estimation purposes only. The total cost of issuance, if the maximum amount of proceeds is \$105.0 million, would be \$106.57 million. Approximately \$650,000 would be the cost of issuance, \$492,604 would be the cost of insurance premium, \$426,280 would be the underwriter's discount, and less than \$1,200 would be rounding. Assuming 20-year revenue bonds, the total amount of interest would be \$57.6 million on bond principal of \$106.57 million, resulting in total principal and interest payments of \$164.20 million. The interest rate cost is estimated at 4.57 percent.