

April 6, 2017

The Honorable Troy Waymaster, Chairperson  
House Committee on Appropriations  
Statehouse, Room 111-N  
Topeka, Kansas 66612

Dear Representative Waymaster:

**SUBJECT:** Fiscal Note for HB 2388 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2388 is respectfully submitted to your committee.

HB 2388 would authorize the issuance of \$350.0 million of revenue bonds, plus the costs of issuance, upon approval of the State Finance Council. The bonds would be financed by the State General Fund but payable from monies appropriated by the state including all or a portion of state lottery revenues. "State lottery revenues" is defined to mean all monies credited to the Lottery Operating Fund and the Expanded Lottery Act Revenues Fund (ELARF). Proceeds from the sale of the bonds would be deposited into the State General Fund.

Neither the state nor the Department of Administration would be permitted to pledge the full faith and credit or taxing power of the state for debt service on any bonds issued under the bill. Any obligation of the state or Department of Administration for payment of debt service on the bonds would not be considered a debt or obligation under the *Constitution of the State of Kansas*. The bill would become effective upon its publication in the *Kansas Register*.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	\$350,000,000	\$350,000,000	--	--
Expenditure	\$27,300,000	\$27,300,000	\$27,300,000	\$27,300,000
FTE Pos.	--	--	--	--

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According to the Kansas Development Finance Authority (KDFA), issuing revenue bonds of \$350.0 million would result in the same amount of bond proceeds being remitted to the State General Fund in FY 2018 and annual debt service expenditures of approximately \$27.3 million. While the bill allows lottery revenues to pay for the debt service, KDFA anticipates that an annual appropriation pledge from the State General Fund would be used to obtain a stronger credit rating.

The Kansas Lottery indicates the ability to pay debt service from the Lottery Operating Fund and the ELARF would be limited. According to budget system data, the Lottery Operating Fund (450-00-5123) is estimated to have ending balances of \$1,064,386 in FY 2018 and \$794,024 in FY 2019. The Governor's recommendation includes language in the appropriations bill that allows any additional revenues in the ELARF to be transferred to the State General Fund at the end of FY 2018 and FY 2019. As indicated in *The FY 2018 Governor's Budget Report*, \$3,744,030 in FY 2018 and \$3,945,030 in FY 2019 is estimated to be transferred from the ELARF to the State General Fund, leaving ending balances of zero in both fiscal years. It is assumed that most, if not all, of the annual debt service associated with HB 2388 would need to be paid from the State General Fund. Any fiscal effect associated with HB 2388 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,  
Director of the Budget

cc: Bonnie Gauntt, KDFA  
Stephen Durrell, Lottery