

SESSION OF 2002

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2635

As Amended by House Committee on
Appropriations

Brief*

HB 2635 authorizes the Kansas Development Finance Authority (KDFA) to issue revenue bonds to finance construction, upgrades, and acquisition of right-of-way for electrical transmission lines and appurtenances. The bill also authorizes the KDFA to issue revenue bonds to finance regional broadband technology facilities' projects to extend broadband to Kansas communities. Only transmission lines, at least five miles or more in length, and appurtenances used to transfer 115 kilovolts (115,000 volts) or more of electricity, would be eligible for the bonds. Only broadband projects that would not compete with existing services would be eligible for the bonds. Bonds issued for electrical transmission purposes would be paid from revenues derived from the use of the transmission lines and would be exempt from all county and municipal taxes, but not from the estate tax.

Background

HB 2635 was introduced by the Committee on Utilities in recognition of ways to provide incentives in building or upgrading transmission lines and appurtenances, and in pursuing broadband technology facilities' projects in areas of Kansas which do not have access to broadband services. Transmission lines are a crucial component of the state's electricity infrastructure. Transmission lines with a 115 kilovolt capacity are used to transfer bulk electricity from generating stations to large substations or between substations. It has been estimated that a 115 kilovolt line would cost (including cost of land) anywhere from \$50,000 to \$600,000 per circuit mile to construct, and that a substation,

*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.accesskansas.org/legislature/>

to which it would connect, with one breaker, would cost around \$1.0 million.

HB 2635, as introduced, defined appurtenances of electric transmission lines as towers and poles. The Committee amended the bill to include substations and other structures and equipment necessary for the bulk transfer of electricity. During the hearing, the question arose as to whether bond proceeds would be used for out-of-state transmission improvements. The KDFa testified that bond proceeds are not authorized for out-of-state improvements. Proponents of the bill included Westar Energy, Kansas City Power and Light, Sunflower Electric Power Corporation, and Kansas Electric Power Cooperative, Inc. Proponents suggested that HB 2635 make clear that construction and upgrading of facilities also would include improvements to substations and switch yards. There were no opponents of the bill.

The bill was referred to the House Committee on Appropriations, which looked at the issue of whether authorizing bonds was exclusive to public purposes and not private purposes. It was amended to include all the provisions in HB 2712, which amended KSA 2001 Supp. 74-8905 by adding a provision granting authority to the KDFa to issue bonds to finance regional broadband technology facilities' projects to extend broadband services to Kansas communities.

The Committee was briefed by the KDFa on the frequency and range of bonds used for purposes other than public building improvements or construction, and learned that other cases exist – like the remodeling of Stormont Vail Hospital – that are not part of state or local government. The Budget Committee discussed whether authorizing bonds was an action solely reserved for public use, even when state funds were not obligated in future bond payments.

The fiscal note for HB 2635 indicates that passage of the bill would not affect state expenditures. According to KDFa, the fees generated by issuing these types of bonds would offset any expenses incurred. The Citizens' Utility Ratepayer Board and the Kansas Corporation Commission state that their budgets would not be affected by passage of this bill. Any fiscal effect resulting from the passage of HB 2635 is not reflected in the Governor's Budget Report.