SESSION OF 2009

SUPPLEMENTAL NOTE ON SENATE BILL NO. 205

As Amended by Senate Committee on
Ways and Means

Brief*

SB 205, as amended, would amend existing law concerning the issuance of bonds for the purpose of refunding outstanding bonds. Under existing law, the Kansas Development Finance Authority (KDFA), upon request of the Secretary of Administration, may issue bonds for the purpose of refunding outstanding bonds, whether at maturity, or in advance of maturity of the bonds. SB 205 would allow the KDFA to refund outstanding bonds only upon an act of the Legislature or approval of the State Finance Council.

Background

The bill was introduced by the Committee. No proponents testified. The Secretary of Administration testified, as a neutral party, indicating that the Governor's recommended budget for FY 2009 and FY 2010 contained a total of three bond refunding issues, and suggested the Committee target legislation specifically for these bonds, rather than amend the procedure for refunding outstanding bonds.

One opponent, the president of the KDFA, presented testimony indicating that changing the restructuring process to require Legislative approval would create lost opportunities to take advantage of market fluctuations. The conferee testified that the KDFA monitors bond markets continuously to achieve savings by refunding bonds.

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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

The bill, as introduced, would allow the KDFA to refund outstanding bonds only upon an act of the Legislature and upon request by the President of the Senate or the Speaker of the House. As amended the bill would allow the KDFA to refund outstanding bonds only upon an act of the Legislature or approval of the State Finance Council.

The fiscal note prepared by the Division of the Budget notes bond refunding has saved the state approximately $8.4 million since FY 2004. The note indicates that passage of the bill would likely cause the state to forgo economic refunding opportunities that become available and disappear as interest rates change, but cannot specifically estimate the amount of savings lost with the passage of this bill. The fiscal note pertains to the bill as introduced.