

SESSION OF 2015

SUPPLEMENTAL NOTE ON SENATE BILL NO. 64

As Amended by Senate Committee on Natural
Resources

Brief*

SB 64, as amended, would change the rate of interest charged to a local entity by the State for the purchase of public water supply storage in a class I, II, or III project under the Multipurpose Small Lakes (MPSL) Act, as administered by the Kansas Water Office (KWO).

Currently, the interest on the State's costs incurred in providing the storage is calculated at a rate *per annum*, which is the greater of the average rate of interest earned during the past calendar year on repurchase agreements of less than 30 days duration entered into by the Pooled Money Investment Board, less 5 percent; or 4 percent.

The bill would change the calculation of the interest to a rate *per annum*, equal to the average of the monthly net earnings rate for the Pooled Money Investment Portfolio for the preceding calendar year, for each year of storage.

Background

The bill was introduced by the Senate Committee on Federal and State Affairs.

At the Senate Committee on Natural Resources hearing on the bill, the KWO Assistant Director presented testimony in favor of the bill, stating the bill is a result of the City of Alma approaching the KWO in the fall of 2014 with a request to

*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>

purchase additional storage from Mill Creek MPSL. During these discussions, KWO noted the repayment calculations described in the MPSL Act varied from the calculation for storage repayment from KWO reservoir storage programs. The Assistant Director stated by changing the statute through this bill, the cost to the City of Alma is more consistent with other KWO programs and may result in cost savings for that community and others in the future. A representative of the League of Kansas Municipalities also provided testimony in support of the bill, stating the legislation would allow fairer interest rates for cities wanting to take part in class I projects.

The Senate Committee amended the bill to add language that clarifies the new calculation of interest and add language extending the calculation to class II and III projects.

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the KWO indicates enactment of the bill would have a negative fiscal effect on the KWO. The bill would reduce revenue by \$59,383 in the agency's fee fund due to the purchase of water storage in Mill Creek Lake by the City of Alma. Any fiscal effect associated with the bill is not reflected in *The FY 2016 Governor's Budget Report*.