

April 12, 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 2363 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2363 is respectfully submitted to your committee.

HB 2363 would authorize the Department of Administration to sell various parcels of real property on behalf of the state and agencies who own the property. All proceeds from the sales would be deposited into the State General Fund.

The Department of Administration indicates that the bill would have a negligible fiscal effect on State General Fund revenues because nearly all of the properties listed in the bill are not available to be sold.

The Department of Transportation (KDOT) estimates the value of the properties listed in the bill as owned by the Department total \$834,570. If the properties were sold, the proceeds would be credited to the State General Fund rather than the State Highway Fund, which is required under current law. KDOT indicates that it considers only three of the 35 parcels to be surplus property. The remaining 32 properties are currently in use for operations, highway right-of-way, or being held for planned highway projects. If the properties were sold, KDOT would be required to replace them with other properties at potentially higher amounts. In particular, the right-of-way properties would need to be retained as right-of-way. KDOT also indicates that Federal Highway Administration (FHWA) regulations require proceeds from the sale of highway right-of-way that was purchased with federal funds or in connection with projects in which federal funds were used to be returned to KDOT for other federally-backed projects. Additionally, federal regulations require these right-of-way properties to be sold at fair market value as determined by appraisal. KDOT indicates the bill does not require appraisal or a

mechanism for FHWA to approve the sale of right-of-way properties below fair market value. Any violation of FHWA regulations could jeopardize federal funds received for future Transportation Works for Kansas (T-WORKS) projects.

According to the Kansas Department of Wildlife, Parks and Tourism (KDWP&T), the value of the properties owned by the agency in the bill have a county-assessed value of approximately \$12.0 million. KDWP&T indicates that it would be required to return 75.0 percent, or \$9.0 million, of the proceeds of the sale to the federal government because the properties were purchased and are managed with federal funds. If the full \$12.0 million is credited to the State General Fund, the KDWP&T estimates it could be ineligible to receive federal funds.

The Department of Corrections indicates that the property listed in the bill is the Ellsworth Correctional Facility. Any sale of this property would require the Department to seek other options for housing offenders.

Kansas State University indicates the properties listed for the agency are not owned by the university. Rather, the properties were bequeathed to the Kansas State University Foundation by a donor, who stipulated that the properties were to be used to support wildlife habitat and prairie ecology. The Kansas State University Foundation indicates that the properties cannot be sold under the terms of the donation.

The Department of Health and Environment does not have information on the value of the properties it owns that are listed in the bill. The Department notes that sale of one of the parcels could interfere with agency operations because the parcel currently has a storage building for field equipment for the Department's Bureau of Water. The equipment is used for monitoring and reporting requirements for the federal Clean Water Act and includes boats, trailers, stream flow gaging equipment, laboratory equipment and water quality monitoring equipment.

The Department of Labor indicates that the total assessed value of the properties that are listed in the bill is \$378,800. However, the agency indicates that all of the properties listed in the bill for the Department of Labor are either currently in use or not owned by the Department. One of the properties is the Department's staff parking lot and another is the mail and supply storage center. The Department indicates that of the two remaining properties, one may be the parking lot for the Department of Commerce and the other houses an ambulance service. The Department of Labor indicates its properties have federal equity in the cost of the buildings. If any of the Department of Labor properties are sold, the proceeds would be subject to federal equity rules that require the federal government to be reimbursed for its equity share at the appraisal value.

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The Kansas Bureau of Investigation indicates the value of the properties listed in the bill that it owns is \$6,100. The KBI states that one of the properties is used for drainage of the KBI headquarters building and the other properties are planned for parking, security and storage enhancements in the agency's five-year capital improvement plan. Any fiscal effect associated with HB 2363 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: Colleen Becker, Department of Administration
Willie Prescott, Office of the Attorney General
Chris Tymeson, Wildlife, Parks & Tourism
Ben Cleeves, Transportation
Linda Kelly, Corrections
Kelly Oliver, Board of Regents
Ethan Erickson, Kansas State University
Matthew Chappell, Historical Society
Dan Thimmesch, Health & Environment
Dawn Palmberg, Department of Labor
Shelia Sawyer-Tyler, KBI