

Approved

Ivan Sand

Date *3-29-88*

MINUTES OF THE House COMMITTEE ON Local Government

The meeting was called to order by Representative Ivan Sand at
Chairperson

2:00 a/m./p.m. on March 24, 1988 in room 521-S of the Capitol.

All members were present except:
Representative Kennard, excused
Representative Graeber, absent
Representative Rezac, absent

Committee staff present:

Mike Heim, Legislative Research Dept.
Bill Edds, Revisor of Statutes' Office
Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Ernie Mosher, League of Kansas Municipalities

The minutes of March 23, 1988, were approved.

Ernie Mosher testified in support of SB 513, stating that it attempts to provide a practical means for local units to utilize state grant and loan programs now under consideration or which may be enacted in the future, and state administered federal assistance programs on a reimbursement basis, and to meet the requirements of the cash basis law. (Attachment 1)

A motion was made by Representative Patrick and seconded by Representative Brown to pass SB 513 and place it on the Consent Calendar. The motion carried.

The meeting adjourned.



League of Kansas Municipalities

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL/112 WEST SEVENTH ST., TOPEKA, KANSAS 66603/AREA 913-354-9565

RE: SB 513--Temporary Financing of State Assisted Municipal Improvements
TO: House Committee on Local Government
FROM: E.A. Mosher, Executive Director
DATE: March 24, 1988

SB 513 was requested by the League to provide municipalities with a method of temporarily financing public services or improvements which will be permanently financed by state loans and grants.

Background: Kansas municipalities may now issue temporary notes under K.S.A. 10-123 to temporarily finance improvements in advance of the issuance of bonds. Municipalities may also issue temporary notes or no-fund warrants under K.S.A. 12-1662 et seq. to temporarily finance the federal share of federally-assisted projects which are on a reimbursement basis. But there is no similar authority to finance local expenditures in advance of the receipt of a state loan or grant, in order to meet the requirements of the cash basis law (K.S.A. 10-1112 and 10-1116).

SB 472, now in Conference Committee, provides for a state revolving loan fund for local units for water pollution control purposes. Further, SB 574, which is now in the House Committee on Economic Development, proposes a state loan program for public infrastructure improvements for economic development purposes. However, these bills do not deal with the practical problem of how a municipality pays for the initial costs (e.g., planning and engineering) of a state assisted project, or how the contractor is to be paid if the state assistance is on a reimbursement basis. Similar state loan and grant programs may occur in the future. There are now some practical (and legal) local problems in handling CDBG grants.

It is also important to note the federal government is starting to use letters of credit, instead of cash payments in advance, for aid to state and local units. How will local units finance services and improvements assisted by state administered federal grants, if payments to the state are on a reimbursement basis?

Explanation: SB 513 proposes a general act, applicable to all municipalities, authorizing the temporary financing of the costs of services and improvements for which state assistance (including state administered federal funds) will be later received, by the issuance of temporary notes or no-fund warrants. The notes or warrants may not be issued unless there is a written agreement providing for the state loan or grant, and for not to exceed the amount of the proposed loan or grant.

Some problems have occurred in the past with the timely receipt of federal loans and grants, and may well occur under a state administered program. As a result, Section 3 of the bill permits the extension of the notes or warrants if the state assistance is not timely received. Further, Section 3 provides for the issuance of new notes or warrants if the state loan or grant actually received is less than agreed to, which would be retired by tax levies or other sources (e.g., service charges).

Attachment 1
3/24/88

Objections: We have heard of only one objection to SB 513--an issue raised during Senate Committee of the Whole consideration of the bill. That issue relates to the fact that lines 47 and 48 provide that the issuance of no-fund warrants under this proposed act does not require approval of the State Board of Tax Appeals. The typical no-fund warrant procedure does require approval of the State Board of Tax Appeals, since they involve either increasing the budget authority of the municipality and/or the borrowing of money to meet a cash problem within the existing budget. The phrase on lines 47:48 was included to make it abundantly clear that Board of Tax Appeals action is not required for situations covered by this act. Please keep in mind that the bill relates only to temporary financing. Secondly, the warrants could not be issued unless there was a written agreement with a state agency (lines 32:35), and the amount temporarily borrowed could not exceed the amount to be received by the loan or grant (lines 39:42). It seems to us to be incongruous for one state agency--the Board of Tax Appeals--to approve the temporary financing of a program which has already been approved by another state agency, in writing, and by the locally elected governing body. Frankly, we don't know what factors the Board of Tax Appeals would consider even if you were to require their approval.

Advantages: SB 513 attempts to provide a practical means for local units to utilize state grant and loan programs now under consideration or which may be enacted in the future, and state administered federal assistance programs on a reimbursement basis, and to meet the requirements of the cash basis law. In the absence of such a law, provision will need to be made in each loan or grant program for advance payments to the municipality, since no temporary financing mechanism is now legally available as exists for projects financed by local bonds or by direct federal grants.