

Approved 2-2-88
Date

MINUTES OF THE SENATE COMMITTEE ON ENERGY & NATURAL RESOURCES

The meeting was called to order by Senator Merrill Werts at
Chairperson

8:00 a.m./~~p.m.~~ on January 27, 1988 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Ramon Powers - Research
Don Hayward - Revisor
Nancy Jones - Secretary

Laura Howard - Research
Raney Gilliland - Research

Conferees appearing before the committee:

Karl Mueldener, KDHE - Bureau of Water Protection

SB 472 - Establishing the Kansas Water Pollution Control Fund

Chairman Werts introduced Karl Mueldener to explain two amendments to SB 472 being proposed by KDHE. The first amendment will provide funding of reasonable administrative costs and require annual identification of administrative cost. The second amendment would allow loan repayment to begin not later than one year after project completion. (ATTACHMENT I)

Mr. Mueldener stated repayment by cities will be made with user fees assessed before or after project completion allowing flexibility for repayment. Requirements of the Federal Act regarding repayment were reviewed with maximum time allowed to begin repayment in one year after completion of projects. KDHE will continue clarification and inspection of work being done. KDHE administrative costs will be recovered from municipalities by the state and an increase in interest rates may be utilized to accomplish this in order that the loan fund not be dissipated.

Don Hayward proposed language changes in the amendments for clarification of legislative intent.

A motion was made by Senator Hayden to adopt the proposed KDHE amendments to SB 472, seconded by Senator Gordon. Motion carried.

Chairman Werts directed the attention of the committee to amendments proposed by the League of Kansas Municipalities, etal. (ATTACHMENT II)

Senator Daniels expressed concern regarding prioritization related to municipality population. There will be two priority lists with a minimum of 10% of the funds retained for communities of less than 5,000 population.

Don Hayward offered recommendations for cleanup language in the bill.

A motion was made by Senator Daniels to adopt amendments to SB 472, as suggested by the League and Revisor; seconded by Senator Langworthy.. Motion carried.

A motion was made by Senator Gordon to recommend SB 472 favorably as amended, seconded by Senator Feleciano. Motion carried.

Meeting adjourned. The next meeting will be February 2, 1988.

1-27-88
Guest list

Dave Corliss

DAVID NUSZ

James Powell

Gary K. Hullett

Ed Reinert

John Strickler

John Walker

John Vorkent

League of Municipalities

KDHE

KDHE

KDHE

League Women Voters

Governor's Office

League of Municipalities

ASSOC. OF COUNTIES

STATE OF KANSAS



DEPARTMENT OF HEALTH AND ENVIRONMENT

Forbes Field

Topeka, Kansas 66620-0001

Phone (913) 296-1500

Mike Hayden, Governor

Stanley C. Grant, Ph.D., Secretary

Gary K. Hulett, Ph.D., Under Secretary

Testimony Presented to
Senate Energy and Natural Resources Committee
by
Kansas Department of Health and Environment
Regarding Proposed Amendments to
Senate Bill No. 472


Mr. Chairman and Members of the Committee:

Two amendments to Senate Bill No. 472 are proposed as indicated in the attached document.

The first amendment is an addition to Section 2(b)(6) located at the bottom of page 2 of the bill. The federal act stipulates up to 4 percent of grants awarded to the state for establishment of a water pollution control revolving fund may be used for reasonable costs of administering the fund and conducting related activities. Section 2(b)(6) presently reflects this requirement. However, federal grants will cease after federal fiscal year 1994 which ends September 30, 1995. To enable subsequent administration of the revolving fund, we request Section 2(b)(6) be amended as indicated to provide funding of reasonable administrative costs. The proposed amendment also requires annual identification of administrative costs under intended use plan development provisions. As indicated in Section 5 of the bill (located on pages 4 and 5), the intended use plan must be subjected to public review and comment each year. Thus, proposed administrative costs necessary to operate the revolving fund will be available for public scrutiny on an annual basis.

The second amendment deletes and replaces a phrase located in line no. 190 within Section 6(b) at the bottom of page 5 of the bill. Rather than require loan repayment begin within one year after receipt of the loan, the amendment would allow loan repayment to begin not later than one year after project completion. This change would allow development of a more attractive and flexible loan program and would amend the bill to be consistent with requirements of the federal act.

Mr. Chairman and Members of the Committee, we urge your approval of the proposed amendments.


Karl Mueldener, Director
Bureau of Water Protection

January 27, 1988

Office Location: Landon State Office Building—900 S.W. Jackson

ATTACH F
4-27-88

SENATE BILL No. 472

By Joint Committee on Economic Development

12-22

0016 AN ACT establishing the Kansas water pollution control revolv-
0017 ing fund and providing for the uses, administration and man-
0018 agement thereof; imposing certain powers, functions and
0019 duties with respect thereto upon the secretary of health and
0020 environment.

0021 *Be it enacted by the Legislature of the State of Kansas:*

0022 Section 1. As used in this act:

0023 (a) "Fund" means the Kansas water pollution control revolv-
0024 ing fund established by section 2 of this act.

0025 (b) "Municipality" means any city, county, township, sewer
0026 district, improvement district, or other political subdivision of
0027 the state, or any combination thereof, which is authorized by law
0028 to construct, operate, and maintain wastewater treatment works.

0029 (c) "Wastewater treatment works" means any treatment
0030 works, as defined in the federal act, which is publicly owned.

0031 (d) "Project" means the acquisition, construction, improve-
0032 ment, repair, rehabilitation, or extension of a wastewater treat-
0033 ment works.

0034 (e) "Project costs" means all costs or expenses which are
0035 necessary or incident to a project and which are directly attrib-
0036 utable thereto.

0037 (f) "Federal act" means the federal clean water act as
0038 amended by the federal water quality act of 1987 and any acts
0039 amendatory thereof or supplemental thereto.

0040 (g) "Administrator" means the administrator of the United
0041 States environmental protection agency.

0042 (h) "Secretary" means the secretary of health and environ-
0043 ment.

0044 Sec. 2. (a) There is hereby established in the state treasury a

(cont.)
ATTACH I
1-27-88

0045 fund to be maintained in perpetuity and to be known as the
0046 Kansas water pollution control revolving fund. The fund shall
0047 consist of:

0048 (1) Amounts awarded or otherwise made available to this
0049 state under the federal act for the purposes of the fund;

0050 (2) amounts appropriated or otherwise made available by the
0051 legislature for the purposes of the fund;

0052 (3) the proceeds, if any, derived from the sale of bonds issued
0053 by the Kansas development finance authority for the purposes of
0054 the fund to the extent provided in any agreement entered into by
0055 the secretary and the authority;

0056 (4) amounts of repayments made by municipalities of loans
0057 received under this act, together with payments of interest
0058 thereon, in accordance with agreements entered into by such
0059 municipalities and the secretary;

0060 (5) amounts earned as a result of investments made by the
0061 pooled money investment board of moneys in the fund; and

0062 (6) amounts contributed or otherwise made available by any
0063 public or private entity for use in effectuating the purposes of the
0064 fund.

0065 (b) Subject to the conditions and in accordance with the
0066 requirements of the federal act and the provisions of this act, the
0067 fund may be used only:

0068 (1) To make loans to municipalities for payment of all or a
0069 part of project costs;

0070 (2) to carry out planning required by the federal act;

0071 (3) for implementation of nonpoint source pollution control
0072 programs and estuary protection programs;

0073 (4) as a source of revenue or security for the payment of
0074 principal and interest on bonds issued by the Kansas develop-
0075 ment finance authority if, and to the extent that, the proceeds of
0076 the sale of such bonds are deposited in the fund;

0077 (5) to earn interest on moneys in the fund; and

0078 (6) for the reasonable costs, in amounts not to exceed 4% of
0079 all amounts awarded to the state for the fund under title VI of the
0080 federal act, of administering the fund and conducting activities
0081 under this act.

*off
from
the
fund
determined*

, and for the reasonable costs thereafter, as identified by the secretary, of administering the fund and conducting activities under this act. Such costs will be identified annually in development of the intended use plan as described in Section 5 of this act

0082 (c) Moneys not currently needed for operation of the fund, or
0083 otherwise obligated, may be invested and reinvested by the
0084 pooled money investment board:

0085 (1) In obligations of the United States of America or obliga-
0086 tions the principal and interest of which are guaranteed by the
0087 United States of America;

0088 (2) in interest-bearing time deposits in any commercial bank
0089 or trust company located in Kansas; or

0090 (3) if the board determines that it is impossible to deposit
0091 such moneys in such time deposits, in repurchase agreements of
0092 less than 30 days' duration with a Kansas bank or with a primary
0093 government securities dealer which reports to the market reports
0094 division of the federal reserve bank of New York for direct
0095 obligations of, or obligations that are insured as to principal and
0096 interest by, the United States government or any agency thereof.
0097 Income or interest earned by the fund shall be credited to the
0098 fund. Moneys in the fund, or payable to the fund, are hereby
0099 specifically made exempt from any and all taxes authorized by
0100 law to be levied or collected.

0101 (d) All payments and disbursements from the fund shall be
0102 made upon warrants of the director of accounts and reports
0103 issued pursuant to vouchers approved by the secretary or by a
0104 person or persons designated by the secretary. Except for
0105 amounts provided for under subsection (a)(2), amounts deposited
0106 in or credited to the fund under this section shall not be subject
0107 to any limitation imposed by any appropriation act of the legis-
0108 lature. All payments and disbursements from the fund, and
0109 beginning and ending balances thereof, shall be subject each
0110 year to post audit in accordance with article 11 of chapter 46 of
0111 the Kansas Statutes Annotated.

0112 Sec. 3. The secretary shall administer the provisions of this
0113 act, shall be responsible for administration and management of
0114 the fund, and is hereby authorized to:

0115 (a) Enter into agreements with the administrator, which
0116 agreements shall include but not be limited to the specific
0117 requirements of the federal act;

0118 (b) establish jointly with the administrator a schedule of

0119 payments under which the administrator will pay to the state the
0120 amounts made available under the federal act;

0121 (c) accept amounts paid to the state in accordance with the
0122 schedule of payments and cause such amounts to be deposited in
0123 the state treasury and credited to the fund;

0124 (d) enter into binding commitments for the provision of loans
0125 in accordance with the requirements of the federal act and the
0126 provisions of this act;

0127 (e) review applications of municipalities for loans and select
0128 the projects for which loans will be made available each year;

0129 (f) provide the administrator, the governor and the legislature
0130 with the annual report prepared in accordance with section 8 of
0131 this act and with copies of the audit required under section 2 of
0132 this act; and

0133 (g) adopt rules and regulations necessary for effectuation of
0134 the provisions of this act.

0135 Sec. 4. (a) The secretary shall develop a priority system for
0136 projects, establish ranking criteria therefor, review applications
0137 of municipalities for loans, and prepare a project priority list. The
0138 project priority list shall be in conformance with applicable
0139 provisions of the federal act and shall include a description of
0140 each project, the purpose, cost and construction schedule there-
0141 for, and the municipality to be served or benefited thereby. After
0142 preparation of the project priority list, the secretary shall select
0143 from such list the projects for which loans will be made avail-
0144 able.

0145 (b) In performing the functions and duties required by sub-
0146 section (a), the secretary shall ensure that a fair proportion, at
0147 least but not limited to 10%, of the total dollar amount of loans to
0148 be made available to municipalities from the fund in each year
0149 will be made available for projects of municipalities having a
0150 population of 5,000 or less. In the event the municipalities to
0151 which this subsection applies are unable to utilize the total
0152 amount made available under this subsection, the secretary is
0153 authorized to make the unused amount available for projects of
0154 other municipalities.

0155 Sec. 5. After providing for public comment and review each

0156 year, the secretary shall prepare a plan identifying the intended
0157 uses of the moneys available in the fund. The intended use plan
0158 shall include, but not be limited to:

0159 (a) The project priority list;

0160 (b) a list of activities, if any, for which the fund is authorized
0161 to be used under subsection (b)(3) of section 2 of this act;

0162 (c) a description of the short- and long-term goals and objec-
0163 tives of the fund;

0164 (d) information on the projects and activities to be supported,
0165 including a description thereof, terms of loans to be provided,
0166 and municipalities to be served or benefitted;

0167 (e) assurances and specific proposals for meeting the re-
0168 quirements of the federal act; and

0169 (f) the criteria and method established for the provision of
0170 loans to be made from the fund.

0171 Sec. 6. (a) Municipalities which desire the provision of a
0172 loan under this act shall submit an application therefor to the
0173 secretary. Applications shall be in such form and shall include
0174 such information as the secretary shall require and shall be
0175 submitted in a manner and at a time to be determined by the
0176 secretary.

0177 (b) The secretary may enter into agreements with any mu-
0178 nicipality for the provision of a loan thereto for payment of all or
0179 a part of project costs and any municipality may enter into such
0180 an agreement and may accept such loan when so authorized by
0181 its governing body. The purposes of the loan to be provided, the
0182 amount thereof, the interest rate thereon, and the repayment
0183 terms and conditions thereof, all of which may vary among
0184 municipalities, shall be included in the agreements. Loans shall
0185 be provided at or below market interest rates and may be pro-
0186 vided interest free. All such agreements shall require that mu-
0187 nicipalities establish a dedicated source of revenue for repay-
0188 ment of the loans. Such agreements shall further provide that
0189 repayment of any loan received shall begin not later than one
0190 year after receipt of the loan and that such loan shall be repaid in
0191 full no later than 20 years thereafter.

0192 (c) In the event any municipality to which a loan is made

completion of the project

0193 available under this act fails to enter into an agreement with the
0194 secretary for the provision of such loan in accordance with the
0195 requirements of this act, the secretary is authorized to make the
0196 amount of the loan available for one or more other projects on the
0197 project priority list.

0198 (d) The secretary shall provide any municipality, upon its
0199 request, with technical advice and assistance regarding a project
0200 or an application for a loan for the payment of all or a part of
0201 project costs.

0202 Sec. 7. (a) In order to ensure repayment by municipalities of
0203 the amounts of loans provided under this act, the secretary, after
0204 consultation with the governing body of any municipality which
0205 receives a loan, may adopt charges to be levied against users of
0206 the project. Any such charges shall remain in effect until the total
0207 amount of the loan, and any interest thereon, has been repaid.
0208 The charges shall, insofar as is practicable, be equitably as-
0209 sessed. The governing body of any municipality which receives
0210 a loan under this act shall collect charges as established by the
0211 secretary and shall pay the moneys collected therefrom to the
0212 secretary in accordance with procedures established by the sec-
0213 retary.

0214 (b) Notwithstanding the provisions of K.S.A. 79-2960 and
0215 79-2961, and amendments thereto, any municipality applying for
0216 the provision of a loan under this act may establish as a dedicated
0217 source of revenue for repayment of such loan all or such part of
0218 its share of the local ad valorem tax reduction fund as may be
0219 necessary for such purpose and, to the extent such fund is
0220 dedicated and used for such purpose, the municipality shall not
0221 be required to make the tax levy reductions otherwise required
0222 by K.S.A. 79-2960 and 79-2961, and amendments thereto. Taxes
0223 levied by any municipality by reason of its failure to make such
0224 reduction in its levies shall not be subject to or be considered in
0225 computing the aggregate limitation upon the levy of taxes by
0226 such municipality under the provisions of K.S.A. 79-5003, and
0227 amendments thereto.

0228 (c) Municipalities which are provided with loans under this
0229 act shall maintain project accounts in accordance with generally

0230 accepted government accounting standards.

0231 (d) Municipalities which receive a grant and an allowance
0232 under the federal act with respect to project costs for which a
0233 loan was provided under this act shall promptly repay such loan
0234 to the extent of the allowance received under the federal act.

0235 Sec. 8. The secretary shall prepare an annual report de-
0236 scribing how the state has met the goals and objectives for the
0237 previous year as identified in the intended use plan prepared
0238 pursuant to section 5 of this act. The secretary shall submit the
0239 annual report to the administrator, the governor, and the legisla-
0240 ture.

0241 Sec. 9. This act shall take effect and be in force from and
0242 after its publication in the statute book.



League of Kansas Municipalities

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

TO: Senate Committee on Energy and Natural Resources
FROM: E.A. Mosher, Executive Director
DATE: January 21, 1988
RE: SB 472--Water Pollution Control Revolving Fund

The League is in support of SB 472, to establish a state water pollution control revolving fund. Presented below is our 1987 convention-adopted policy statement on this issue. Enactment of SB 472 is one of the top 1988 legislative priorities of the League and its member cities.

Since there are several conferees scheduled to follow me, and will comment on the need and importance of SB 472, I will use my limited time on the proposed amendments we would like to offer. I do want to note, however, that SB 472 is an authorization act. It does not deal with the appropriation or funding requirements to meet the 20% state share required by the federal law as a condition for receiving the federal funds, estimated at \$76.7 million.

Water Pollution—Financing. Enactment of the federal Water Quality Act (WQA) of 1987 signaled a new era in the federal contribution toward financing water pollution control facilities and systems. While the WQA terminates direct federal construction grants by September 1990, it authorizes additional federal moneys to be distributed over a six-year period (FFY 89 - FFY 94) to the states as capitalization grants to establish revolving funds to assist in the correction of water quality problems and meet sewerage facility needs. The primary use envisioned for the state revolving fund is as a no-interest or low-interest loan pool for local governments that face the need to build and modernize water pollution control facilities and systems. Because the WQA requires a 20% state contribution to the perpetual fund in order to receive capitalization grants, we urge the legislature to enact and fund a state revolving fund. The success of a revolving fund largely depends on its ability to provide low interest rates on loans to municipalities. The legislation should minimize administrative costs and provide the 20% share from state revenue sources to make the revolving fund financially workable and practical.

President: Carl Dean Holmes, Mayor, Plains • Vice Presidents: Douglas S. Wright, Mayor, Topeka • Past Presidents: John L. Carder, Mayor, Iola •
Directors: Nancy R. Denning, Commissioner, Manhattan • Ed Ellert, Mayor, Overland Park • Irene B. French, Mayor, Merriam • Frances J. Garcia,
Commissioner, Hutchinson • Robert G. Knight, Mayor, Wichita • Paula McCreight, Mayor, Ness City • Jay P. Newton, Jr., City Manager, Newton • 1-27-88
Richard U. Nienstedt, City Manager, Stockton • David E. Retter, City Attorney, Concordia • Judy M. Sargent, City Clerk, Russell • Joseph E.
Steiniger, Mayor, Kansas City • Arthur E. Treece, Mayor, Coffeyville • Executive Director: E.A. Mosher
ATTACH II

AMENDMENTS TO SB 472, PROPOSED BY THE LEAGUE OF KANSAS MUNICIPALITIES

Session of 1988

SENATE BILL No. 472

By Joint Committee on Economic Development

12-22

0016 AN ACT establishing the Kansas water pollution control revolving
0017 fund and providing for the uses, administration and man-
0018 agement thereof; imposing certain powers, functions and
0019 duties with respect thereto upon the secretary of health and
0020 environment.

0021 *Be it enacted by the Legislature of the State of Kansas:*

0022 Section 1. As used in this act:

0023 (a) "Fund" means the Kansas water pollution control revolving
0024 ing fund established by section 2 of this act.

0025 (b) "Municipality" means any city, county, township, sewer
0026 district, improvement district, or other political subdivision of
0027 the state, or any combination thereof, which is authorized by law
0028 to construct, operate, and maintain wastewater treatment works.

0029 (c) "Wastewater treatment works" means any treatment
0030 works, as defined in the federal act, which is publicly owned.

0031 (d) "Project" means the acquisition, construction, improve-
0032 ment, repair, rehabilitation, or extension of a wastewater treat-
0033 ment works.

0034 (e) "Project costs" means all costs or expenses which are
0035 necessary or incident to a project and which are directly attrib-
0036 utable thereto.

0037 (f) "Federal act" means the federal clean water act as
0038 amended by the federal water quality act of 1987 and any acts
0039 amendatory thereof or supplemental thereto.

0040 (g) "Administrator" means the administrator of the United
0041 States environmental protection agency.

0042 (h) "Secretary" means the secretary of health and environ-
0043 ment.

0044 Sec. 2. (a) There is hereby established in the state treasury a

DEFINITION OF TREATMENT WORKS

(Information only--not an amendment)

Title VI, Section 601 of the Water Quality Act of 1987, provides in part (in 33 USCS § 1381):

"(a) Subject to the provisions of this title [33 USCS §§ 1381 et seq.] the Administrator shall make capitalization grants to each State for the purpose of establishing a water pollution control revolving fund for providing assistance (1) for construction of treatment works (as defined in section 212 of this Act [33 USCS § 1292]) which are publicly owned."

The following was originally section 212 of the Federal Water Pollution Control Act of 1948, as added by the Clean Water Act of 1972, and is codified at 33 USCS § 1292:

"As used in this title [33 USCS §§ 1281 et seq.]--
.....

(2)(A) The term "treatment works" means any devices and systems used in the storage, treatment, recycling, and reclamation of municipal sewage or industrial wastes of a liquid nature to implement section 201 of this Act [33 USCS § 1281], or necessary to recycle or reuse water at the most economical cost over the estimated life of the works, including intercepting sewers, outfall sewers, sewage collection systems, pumping, power, and other equipment, and their appurtenances; extensions, improvements, remodeling, additions, and alterations thereof; elements essential to provide a reliable recycled supply such as standby treatment units and clear well facilities; and any works, including site acquisition of the land that will be an integral part of the treatment process (including land used for the storage of treated wastewater in land treatment systems prior to land application) or is used for ultimate disposal of residues resulting from such treatment.

(B) In addition to the definition contained in subparagraph (A) of this paragraph, "treatment works" means any other method or system for preventing, abating, reducing, storing, treating, separating, or disposing of municipal waste, including storm water runoff, or industrial waste, including waste in combined storm water and sanitary sewer systems. Any application for construction grants which includes wholly or in part such methods or systems shall, in accordance with guidelines published by the Administrator pursuant to subparagraph (C) of this paragraph, contain adequate data and analysis demonstrating such proposal to be, over the life of such works, the most cost efficient alternative to comply with sections 301 or 302 of this Act [33 USCS §§ 1311 or 1312], or the requirements of section 201 of this Act [33 USCS § 1281].

0045 fund to be maintained in perpetuity and to be known as the
0046 Kansas water pollution control revolving fund. The fund shall
0047 consist of:

0048 (1) Amounts awarded or otherwise made available to this
0049 state under the federal act for the purposes of the fund;

0050 (2) amounts appropriated or otherwise made available by the
0051 legislature for the purposes of the fund;

0052 (3) the proceeds, if any, derived from the sale of bonds issued
0053 by the Kansas development finance authority for the purposes of
0054 the fund to the extent provided in any agreement entered into by
0055 the secretary and the authority;

0056 (4) amounts of repayments made by municipalities of loans
0057 received under this act, together with payments of interest
0058 thereon, in accordance with agreements entered into by such
0059 municipalities and the secretary;

0060 (5) amounts earned as a result of investments made by the
0061 pooled money investment board of moneys in the fund; and

0062 (6) amounts contributed or otherwise made available by any
0063 public or private entity for use in effectuating the purposes of the
0064 fund.

0065 (b) Subject to the conditions and in accordance with ~~the~~ any applicable
0066 requirements of the federal act ~~and the provisions of this act, the~~ , as may be amended in the future,
0067 fund may be used only:

0068 (1) To make loans to municipalities for payment of all or a
0069 part of project costs;

0070 (2) to carry out planning ~~required by the federal act;~~ for wastewater treatment works;

0071 (3) for implementation of nonpoint source pollution control
0072 programs and estuary protection programs;

0073 (4) as a source of revenue or security for the payment of
0074 principal and interest on bonds issued by the Kansas develop-
0075 ment finance authority if, and to the extent that, the proceeds of
0076 the sale of such bonds are deposited in the fund;

0077 (5) to earn interest on moneys in the fund; and

0078 (6) for the reasonable costs, in amounts not to exceed 4% of
0079 all amounts awarded to the state for the fund under title VI of the
0080 federal act, of administering the fund and conducting activities
0081 under this act.

0082 (c) Moneys not currently needed for operation of the fund, or
0083 otherwise obligated, may be invested and reinvested by the
0084 pooled money investment board:

0085 (1) In obligations of the United States of America or obliga-
0086 tions the principal and interest of which are guaranteed by the
0087 United States of America;

0088 (2) in interest-bearing time deposits in any commercial bank
0089 or trust company located in Kansas; or

0090 (3) if the board determines that it is impossible to deposit
0091 such moneys in such time deposits, in repurchase agreements of
0092 less than 30 days' duration with a Kansas bank or with a primary
0093 government securities dealer which reports to the market reports
0094 division of the federal reserve bank of New York for direct
0095 obligations of, or obligations that are insured as to principal and
0096 interest by, the United States government or any agency thereof.
0097 Income or interest earned by the fund shall be credited to the
0098 fund. Moneys in the fund, or payable to the fund, are hereby
0099 specifically made exempt from any and all taxes authorized by
0100 law to be levied or collected.

0101 (d) All payments and disbursements from the fund shall be
0102 made upon warrants of the director of accounts and reports
0103 issued pursuant to vouchers approved by the secretary or by a
0104 person or persons designated by the secretary. Except for
0105 amounts provided for under subsection (a)(2), amounts deposited
0106 in or credited to the fund under this section shall not be subject
0107 to any limitation imposed by any appropriation act of the legis-
0108 lature. All payments and disbursements from the fund, and
0109 beginning and ending balances thereof, shall be subject each
0110 year to post audit in accordance with article 11 of chapter 46 of
0111 the Kansas Statutes Annotated.

0112 Sec. 3. The secretary shall administer the provisions of this
0113 act, shall be responsible for administration and management of
0114 the fund, and is hereby authorized to:

0115 (a) Enter into agreements with the administrator, which
0116 agreements shall include but not be limited to the specific
0117 requirements of the federal act;

0118 (b) establish jointly with the administrator a schedule of

0119 payments under which the administrator will pay to the state the
0120 amounts made available under the federal act;

0121 (c) accept amounts paid to the state in accordance with the
0122 schedule of payments and cause such amounts to be deposited in
0123 the state treasury and credited to the fund;

0124 (d) enter into binding commitments for the provision of loans
0125 in accordance with the requirements of the federal act and the
0126 provisions of this act;

0127 (e) review applications of municipalities for loans and select
0128 the projects for which loans will be made available each year;

0129 (f) provide the administrator, the governor and the legislature
0130 with the annual report prepared in accordance with section 8 of
0131 this act and with copies of the audit required under section 2 of
0132 this act; and

0133 (g) adopt rules and regulations necessary for effectuation of
0134 the provisions of this act.

0135 Sec. 4. (a) The secretary shall develop a priority system for
0136 projects, establish ranking criteria therefor, review applications
0137 of municipalities for loans, and prepare a project priority list. The an annual
0138 project priority list shall be in conformance with applicable
0139 provisions of the federal act and shall include a description of
0140 each project, the purpose, cost and construction schedule there-
0141 for, and the municipality to be served or benefited thereby. After
0142 preparation of the project priority list, the secretary shall select
0143 from such list the projects for which loans will be made avail-
0144 able.

0145 (b) In performing the functions and duties required by sub-
0146 section (a), the secretary shall ensure that a fair proportion, at
0147 least but not limited to 10%, of the total dollar amount of loans to
0148 be made available to municipalities from the fund in each year
0149 will be made available for projects of municipalities having a
0150 population of 5,000 or less. In the event the municipalities to
0151 which this subsection applies are unable to utilize the total
0152 amount made available under this subsection, the secretary is
0153 authorized to make the unused amount available for projects of
0154 other municipalities. on the project priority list

0155 Sec. 5. After providing for public comment and review each

0156 year, the secretary shall prepare a plan identifying the intended
0157 uses of the moneys available in the fund. The intended use plan
0158 shall include, but not be limited to:

0159 (a) The project priority list;

0160 (b) a list of activities, if any, for which the fund is authorized
0161 to be used under subsection (b)(3) of section 2 of this act;

0162 (c) a description of the short- and long-term goals and objec-
0163 tives of the fund;

0164 (d) information on the projects and activities to be supported,
0165 including a description thereof, terms of loans to be provided,
0166 and municipalities to be served or benefitted;

0167 (e) assurances and specific proposals for meeting the re-
0168 quirements of the federal act; and

0169 (f) the criteria and method established for the provision of
0170 loans to be made from the fund.

0171 Sec. 6. (a) Municipalities which desire the provision of a
0172 loan under this act shall submit an application therefor to the
0173 secretary. Applications shall be in such form and shall include
0174 such information as the secretary shall require and shall be
0175 submitted in a manner and at a time to be determined by the
0176 secretary.

0177 (b) The secretary may enter into agreements with any mu-
0178 nicipality for the provision of a loan thereto for payment of all or
0179 a part of project costs and any municipality may enter into such
0180 an agreement and may accept such loan when so authorized by
0181 its governing body. The purposes of the loan to be provided, the
0182 amount thereof, the interest rate thereon, and the repayment
0183 terms and conditions thereof, all of which may vary among
0184 municipalities, shall be included in the agreements. Loans shall
0185 be provided at or below market interest rates and may be pro-
0186 vided interest free. All such agreements shall require that mu-
0187 nicipalities establish a dedicated source of revenue for repay-
0188 ment of the loans. ~~Such agreements shall further provide that~~
0189 repayment of any loan received shall begin not later than one
0190 year after receipt of the loan and that such loan shall be repaid in
0191 full no later than 20 years thereafter.

0192 (c) In the event any municipality to which a loan is made

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l , as provided in section 7 of this act.

0193 available under this act fails to enter into an agreement with the
0194 secretary for the provision of such loan in accordance with the
0195 requirements of this act, the secretary is authorized to make the
0196 amount of the loan available for one or more other projects on the
0197 project priority list.

0198 (d) The secretary shall provide any municipality, upon its
0199 request, with technical advice and assistance regarding a project
0200 or an application for a loan for the payment of all or a part of
0201 project costs.

0202 Sec. 7. (a) ~~In order to ensure repayment by municipalities of~~
0203 ~~the amounts of loans provided under this act, the secretary, after~~
0204 ~~consultation with the governing body of any municipality which~~
0205 ~~receives a loan, may adopt charges to be levied against users of~~
0206 ~~the project. Any such charges shall remain in effect until the total~~
0207 ~~amount of the loan, and any interest thereon, has been repaid.~~
0208 ~~The charges shall, insofar as is practicable, be equitably as-~~
0209 ~~essed. The governing body of any municipality which receives~~
0210 ~~a loan under this act shall collect charges as established by the~~
0211 ~~secretary and shall pay the moneys collected therefrom to the~~
0212 ~~secretary in accordance with procedures established by the sec-~~
0213 ~~retary.~~

0214 (b) ~~Notwithstanding the provisions of K.S.A. 79-2960 and~~
0215 ~~79-2961, and amendments thereto, any municipality applying for~~
0216 ~~the provision of a loan under this act may establish as a dedicated~~
0217 ~~source of revenue for repayment of such loan all or such part of~~
0218 ~~its share of the local ad valorem tax reduction fund as may be~~
0219 ~~necessary for such purpose and, to the extent such fund is~~
0220 ~~dedicated and used for such purpose, the municipality shall not~~
0221 ~~be required to make the tax levy reductions otherwise required~~
0222 ~~by K.S.A. 79-2960 and 79-2961, and amendments thereto. Taxes~~
0223 ~~levied by any municipality by reason of its failure to make such~~
0224 ~~reduction in its levies shall not be subject to or be considered in~~
0225 ~~computing the aggregate limitation upon the levy of taxes by~~
0226 ~~such municipality under the provisions of K.S.A. 79-5003, and~~
0227 ~~amendments thereto.~~

0228 (c) Municipalities which are provided with loans under this
0229 act shall maintain project accounts in accordance with generally

The dedicated source of revenue for repayment of the loans may include service charges, connection fees, special assessments, property taxes, grants, or any other source of revenue lawfully available to the municipality for such purpose.

and may be in the form of a surcharge to the existing charges of the municipality any

Upon the failure of a municipality to meet the repayment terms and conditions of the agreement, the secretary may order the treasurer of the county in which the municipality is located to pay to the secretary such portion of the municipality's share of the local ad valorem tax reduction fund as may be necessary to meet the terms of the agreement, notwithstanding the provisions of K.S.A. 79-2960 and 79-2961 and amendments thereto. Upon the issuance of such an order,

0230 accepted government accounting standards.

0231 (d) Municipalities which receive a grant and an allowance
0232 under the federal act with respect to project costs for which a
0233 loan was provided under this act shall promptly repay such loan
0234 to the extent of the allowance received under the federal act.

0235 Sec. 8. The secretary shall prepare an annual report de-
0236 scribing how the state has met the goals and objectives for the
0237 previous year as identified in the intended use plan prepared
0238 pursuant to section 5 of this act. The secretary shall submit the
0239 annual report to the administrator, the governor, and the legisla-
0240 ture.

0241 Sec. 9. This act shall take effect and be in force from and
0242 after its publication in the statute book.

(e) The amount of any loans received by a municipality under the provisions of this act shall not be included within any limitation on the bonded indebtedness of the municipality.