

Approved March 1, 1988
Date

MINUTES OF THE Senate COMMITTEE ON Local Government

The meeting was called to order by Senator Don Montgomery at
Chairperson

9:07 a.m.~~p.m.~~ on February 23, 1988 in room 531-N of the Capitol.

All members were present except:

Committee staff present: Mike Heim, Emalene Correll, Theresa Kiernan and Lila McClaflin

Conferees appearing before the committee:

Senator Joe Warren
Representative Nancy Brown
John Torbert, Kansas Association of Counties
Gerry Ray, Intergovernmental Coordinator, Johnson County
Willie Martin, Intergovernmental Coordinator, Sedgwick County
John Moevius, Martin Tractor Company
Marilyn Uppman, President, Drug & Alcoholism Council of Johnson County

The hearings were opened on S.B. 612 concerning municipalities, relating to lease or installment-purchase agreements. The Chairman called on Senator Warren sponsor of the bill.

Senator Warren told the committee he had requested the bill, as he thought lease/purchase agreements were a way to avoid the "cash basis" law. He responded to several questions.

Rep. Nancy Brown presented written testimony in opposition to S.B. 612. She stated it is extremely difficult for townships to pay cash for equipment, to eliminate any installment purchase agreements would cause undue financial burden, undoubtedly burdening them with additional expense and paperwork (Attachment I).

John Torbert presented written testimony in opposition to S.B. 612. He believes this legislation attempts to solve problems that do not exist. They asked not to be deprived of a financial management tool, which gives them some needed flexibility, to respond to their shrinking tax base (Attachment II).

Gerry Ray stated in her county they have used the lease purchase agreements, to purchase expensive equipment. If the counties and townships must adhere to the "cash basis" law they believe all taxing units should be subject to the same restrictions (Attachment III).

Willie Martin presented written testimony opposing S.B. 612. They suggested that local officials are elected to oversee local expenditures and it is their responsibility to do so in a fiscally sound and effective manner (Attachment IV).

John Moevius from Martin Tractor Company spoke in opposition to S.B. 612. He stated their contracts all have a standard clause that gives the counties and townships an annual option to terminate the contract without penalty if funding is not made available.

After a brief question and answer period, the Chairman closed the hearing on S.B. 612.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Local Government,
room 531-N Statehouse, at 9:07 a.m./~~p.m.~~ on February 23, 1988.

The Chairman opened the hearings on H.B. 2510, this bill amends a statute to require the majority rather than the unanimous approval of the board of county commissioners if a different plan for spending special alcohol and drug program moneys is adopted than submitted by the advisory committee on such matters. This bill was carried over from the 1987 Session.

The Chairman called on John Torbert.

Mr. Torbert presented written testimony in support of H.B. 2510. He stated the statutes very clearly say the moneys in such special funds shall be under the direction and control of the board of county commissioners. They request that these decisions regarding expenditures from that fund be by the customary and accepted majority vote (Attachment V).

Marilyn Uppman, president, Drug and Alcoholism Council of Johnson County presented written testimony in opposition to H.B. 2510. She stated the proposed change could hamper the effectiveness of the advisory councils (Attachment VI).

She responded to several questions on how the advisory board is selected and the boards roll in the countywide mill levy for substances abuse.

Staff pointed out this legislation really gives the advisory committee control or input into a small portion of the total expenditures for alcohol and drug abuse within the counties, not the total by any means, thus it may prevent some integrated countywide plan for services.

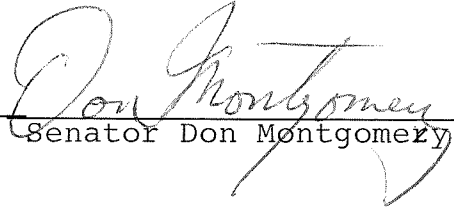
Senator Ehrlich moved to adopt the minutes of the February 17, 1988 meeting. The motion was seconded by Senator Allen. The minutes were adopted.

The Chairman announced hearings on the EMS proposal would be held on March 1-3. Staff will review the changes that were made by the House.

Senator Steineger suggested the committee not hear cumulative testimony, once a point was made, the other conferees with the same point could agree to what had been stated.

The Chairman said he did not want to deny anyone the right to testify, but he intended to stress to conferees the need to be brief and to the point.

The next meeting will be at 9:00 a.m., February 24, 1988, the meeting adjourned at 9:48 a.m.



Chairman, Senator Don Montgomery

NANCY BROWN
REPRESENTATIVE, 27TH DISTRICT
15429 OVERBROOK LANE
STANLEY, KANSAS 66224-9744



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: GOVERNMENTAL ORGANIZATION
INSURANCE
TRANSPORTATION

TESTIMONY ON SENATE BILL 612

LOCAL GOVERNMENT

Tuesday, February 23, 1988

Senator Montgomery and Members of the Committee:

I have been asked by several townships to speak on their behalf, in opposition to Senate Bill 612. Actually I am puzzled as to why it is being introduced, singling out counties and townships. I would like to point out there are very few ways townships can finance equipment. They can use the lease or installment purchase method, no-fund warrants, bonds, or pay cash. It is extremely difficult, obviously, for townships to pay cash for equipment. The choice for the remaining options invariably hinges on the most economical way to proceed.

To eliminate townships from any installment purchase agreement would cause undue financial burden, forcing them to seek an alternate method, undoubtedly burdening them with additional expense and more paperwork.

It is becoming increasingly difficult for smaller units of governments to fund anything. Why would we want to make it more difficult by limiting options? If there is a specific problem area, or with a specific unit of government, let's deal with it there, without causing a burden on counties and townships.

Unless it can be demonstrated that there is a valid reason for the requested change, I remain opposed to SB 612 for the reasons stated above.

A handwritten signature in cursive script, appearing to read "Nancy Brown".

(Attachment I) Local Go 2/23/88

(AI)

Kansas Association of Counties

Serving Kansas Counties

212 S.W. Seventh Street, Topeka, Kansas 66603

Phone (913) 233-2271

February 23, 1988

Testimony

To - Senate Local Government Committee

From - John Torbert, Executive Director
Kansas Association of Counties

Subject - SB 612

The Kansas Association of Counties is opposed to SB 612. We feel the bill, which would prohibit counties and townships from entering into installment purchase agreements, is an unwarranted intrusion into local home rule authority.

Installment purchase, or lease purchase agreements as they are commonly referred to, is a recognized and accepted way of doing business. It simply provides the local government with an alternative financing mechanism without having to "front-end" or pay the entire cost of that equipment in one year.

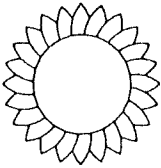
We oppose the bill on several grounds. The first is "home rule." Local government purchasing, as long as it is done within the constraints of existing state law, should be a local matter. That includes the method used to finance purchases.

The second reason for our opposition is that the legislation, if passed in its present form, could end up costing taxpayers more money. The bill only prohibits counties and townships from entering into these agreements. It does not address cities and schools. So, a city could enter into such an agreement but a county could not. This would preclude joint county/city lease purchase agreements that have become more and more prevalent in the past few years. The bill would have the result of preventing just the sort of joint purchasing/cost sharing agreements that make good business sense and save tax dollars.

Some concern has been expressed that lease/purchase is a way that local governments use to avoid the "cash-basis" law. That is not the case. Both equipment suppliers and local governments are well aware of the cash basis law and are not going to enter into agreements that would violate it. By way of example, a local dealer for Caterpillar products told me yesterday that their lease purchase agreements very clearly give the local governments a clear "out" if some future board of commissioners changes its mind about the equipment purchase. I'm told this is standard contractual language.

In summary, this legislation attempts to solve problems that don't exist. Don't deprive us of this financial management tool which has given us some much needed flexibility to respond to our shrinking tax base and significant loss of federal aid.

(Attachment II) Local Go 2/23/88



Johnson County
Kansas

SENATE LOCAL GOVERNMENT COMMITTEE

HEARING ON SENATE BILL 612

FEBRUARY 23, 1988

TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL COORDINATOR
JOHNSON COUNTY BOARD OF COMMISSIONERS

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS GERRY RAY AND I REPRESENT THE JOHNSON COUNTY BOARD OF COMMISSIONERS. I APPEAR TODAY IN OPPOSITION TO SENATE BILL 612 THAT WOULD PROHIBIT COUNTIES AND TOWNSHIPS FROM ENTERING INTO LEASE PURCHASE AGREEMENTS.

IN JOHNSON COUNTY, LEASE PURCHASE HAS BEEN USED TO ACQUIRE SUCH ITEMS AS COMPUTER EQUIPMENT AND HEAVY DUTY EQUIPMENT THAT WOULD BE DIFFICULT TO PURCHASE OUTRIGHT AND WOULD NOT BE COST EFFECTIVE TO RENT ON A MONTHLY BASIS. HOWEVER, IT IS A COUNTY POLICY THAT ALL SUCH AGREEMENTS MUST HAVE A STANDARD CLAUSE THAT GIVES THE COUNTY AN ANNUAL OPTION TO TERMINATE THE CONTRACT WITHOUT PENALTY IF FUNDING IS NOT MADE AVAILABLE. THUS SUCH AGREEMENTS ARE ESSENTIALLY ONE YEAR CONTRACTS.

SENATE BILL 612 WOULD SERIOUSLY IMPAIR THE ABILITY OF COUNTIES TO MANAGE THEIR OPERATIONS ON THE MOST COST EFFECTIVE BASIS. FURTHER, IT WOULD MAKE LONG TERM PLANNING IMPOSSIBLE AND DOES NOT ADDRESS ACCEPTED MANAGEMENT PRACTICES THAT ARE NECESSARY TO OPERATE AN EFFICIENT ORGANIZATION.

AS WE UNDERSTAND IT, THE REASON FOR THE PROPOSED BILL IS TO INSURE THAT COUNTIES AND TOWNSHIPS ADHERE TO THE CASH BASIS LAW. WE FEEL IT SHOULD BE POINTED OUT THAT ALL TAXING UNITS IN KANSAS ARE SUBJECT TO THE CASH BASIS LAW MAKING IT DIFFICULT TO UNDERSTAND WHY ONLY TWO ARE BEING SINGLED OUT FOR SUCH RESTRICTIONS.

THE JOHNSON COUNTY COMMISSIONERS REQUEST THE COMMITTEE JOIN IN OUR OPPOSITION TO SENATE BILL 612 AND THAT IT BE ADVERSELY REPORTED.

(Attachment III) Local GO 2/23/88



SEDGWICK COUNTY, KANSAS

Intergovernmental Coordinator

WILLIE MARTIN

Old County Courthouse
510 N. Main Suite 601
Wichita, KS 67202-3704
(316) 268-7552

TO: Senate Local Government
FROM: Willie Martin, Intergovernmental Coordinator
DATE: February 23, 1988
SUBJECT: Senate Bill 612
Lease/Purchase Agreements

Mr. Chairman and Members of the Committee:

I am Willie Martin, representing the Sedgwick County Board of Commissioners. I appreciate this opportunity to appear in opposition of SB 612.

SB 612 RE. LEASE PURCHASE

Lease/purchase agreements are, in some cases, a very effective and necessary tool in meeting the equipment needs of state, county, and local governments, as well as municipal hospitals and school districts. Many counties cannot budget for needed capital expenditures in any one year, such as road graders (\$150,000) and other large expenditures. The lease/purchase agreement allows local units to provide service and equipment needed now and levy taxes for payment over more than a one year period. Equipment purchased in this manner has an economic life beyond 3, 5, or even 7 years, and we view it fiscally sound to provide for payment of such purchases over more than one year's time. It also gives taxing units the ability to maintain a more stable mill levy.

Some city and county governments have found lease/purchase agreements advantageous in funding joint operations or projects such as Emergency Medical Service ambulance purchases.

This legislation would be very damaging to Sedgwick County's ability to provide an interim response to long term needs. For example, if we need a particular piece of equipment to solve a need, but that equipment wasn't planned in the budget because the need was not known at that time,

(Attachment IV) Local Go 2/23/88

A LV

we can lease it during the current year and budget to pay it off in the subsequent year.

We respectfully suggest that local officials are elected to oversee local expenditures and it is their responsibility to do so in a fiscally sound and effective manner. The use of lease/purchase agreements are a viable and effective tool that can be used in meeting this responsibility.

WM:tlb

Kansas Association of Counties

Serving Kansas Counties

212 S.W. Seventh Street, Topeka, Kansas 66603

Phone (913) 233-2271

February 23, 1988

Testimony

To - Senate Local Government Committee

From - John T. Torbert, Executive Director
Kansas Association of Counties

Subject - HB 2510

On behalf of the Kansas Association of Counties, I urge your support of HB 2510. This legislation, which passed the house last year by a vote of 117-6, is part of KAC's legislative platform.

The bill is a relatively simple one. Under existing law, when an alcohol and drug advisory committee presents a plan for expending the money in the alcohol and drug programs fund, the board of county commissioners is required to follow that plan unless a different plan is adopted by unanimous vote of the commission. This would allow an alternative plan to be adopted by majority vote.

I could not find any other statute where a unanimous vote of a local governing body was required to initiate action. Our governmental system is built on the concept of majority rule. That concept should be extended to this statute. This is particularly true since the statute very clearly says that the moneys "in such special funds shall be under the direction and control of the board of county commissioners." As that is the case, the commissioners should be able to make decisions regarding expenditures from that fund by the customary and accepted majority vote.

(Attachment V) Local Go 2/23/88

(AV)



Drug and Alcoholism Council of Johnson County

5311 Johnson Drive • Mission, Kansas 66205 • 913/432-8424

TO : Senate Local Government Committee

FROM: Marilyn Uppman, President

DATE: February 23, 1988

RE : Opposition to House Bill 2510

The Drug and Alcoholism Council of Johnson County is a twenty-five member citizen council serving as advisor on substance abuse to cities and the Board of County Commissioners. We have provided recommendations each year to the cities and county on the distribution of local alcohol tax fund since the funds became available. It has been our experience that the law as currently written functions well. The Johnson County Board of County Commissioners has always accepted our recommendations as presented.

While this change from unanimous to majority vote might seem minor, it would unnecessarily decrease the responsibility of citizen advisory councils and weaken the local process. Local advisory councils are well qualified to make informed funding recommendations, based on assessment of community need and review of programs.

We recognize that the requirement for a unanimous vote is extraordinary, but it functions as a safeguard to keep the system from becoming politicized. A broadly based representative citizen advisory council can consider the needs of the entire community separate from the political arena and thereby protect the integrity of the alcohol tax allocation process.

The change proposed by House Bill 2510 could hamper the effectiveness of advisory councils and will create the potential for politically motivated funding decisions. We urge its defeat.

(Attachment VI) Local Go 2/23/88

A: DACTEST: 2 / 22 / 88