

Approved March 28, 1989
Date

MINUTES OF THE House COMMITTEE ON Local Government

The meeting was called to order by Representative Robert D. "Bob" Miller at
Chairperson

1:38 a/m./p.m. on March 20, 1989 in room 521-S of the Capitol.

All members were present except: Representative Williams, excused
Representative Baker, excused
Representative Graeber, excused
Representative Sawyer, excused

Committee staff present:

Mike Heim, Legislative Research Dept.
Theresa Kiernan, Revisor of Statutes' Office
Connie Smith, Committee Secretary

Conferees appearing before the committee:

E. A. Mosher, League of Kansas Municipalities
Paul E. Taylor, Assistant Maintenance Engineer, Dept. of Public Works,
The City of Wichita
Beverly Bradley, Kansas Association of Counties
Roland Smith, Exec. Director, Wichita Independent Business Association
Gerry Ray, Johnson County Board of Commissioners
Jack Manahan, Budget Director, Johnson Co. Board of Commissioners
Willie Martin, Intergovernmental Coordinator for Sedgwick County
John Moir, Director of Finance of Wichita

Chairman Miller called for hearings on the following Senate Bills:

SB 14 - An Act concerning municipalities; relating to the privatization
of certain capital intensive public services.

Mike Heim, staff, gave an overview of SB 14. The bill is the result of Interim Study #34. There was some background information about the trend on a nationwide basis regarding privatization. President Reagan was an avid supporter of that concept. The committee concluded that privatization could be an effective tool for local governments. The Interim Committee recommendation was limited to the collection, transportation, processing, recycling or disposal of sanitary waste. The Senate Committee on Local Government expanded the bill to include sewage, wastewater treatment as well as the acquisition, treatment or distribution of water. The key provision is in new section 3, a municipality may enter into a service agreement for a term not to exceed 30 years.

Vice-Chairman Brown stated that the Senate amended a section of the bill to include privatization for sanitary sewer and wastewater which was not recommended by the Interim Committee. She requested staff to see that the Committee members receive the summer Interim Proposal 34 in order to review the background of the bill. Discussion followed.

Chairman Miller called on E. A. Mosher, League of Kansas Municipalities, who testified as a proponent on SB 14. (Attach. I)

Paul E. Taylor, Assistant Maintenance Engineer, The City of Wichita, testified in support of SB 14. (Attach. II)

Chairman Miller called the Committee's attention to testimony submitted by George Trombold, representing National Center for Privatization. (Attach. III)

Bev Bradley, Kansas Association of Counties, testified in support of SB 14 in its present form. (Attach. IV)

Roland Smith, Wichita Independent Business Association, Exec. Director, stated his association wanted to go on record in support of SB 14.
(no written testimony)

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Local Government,
room 521-S, Statehouse, at 1:38 a.m./p.m. on March 20, 1989

Discussion followed.

Hearing closed on SB 14.

Chairman Miller called for hearings on SB 54.

SB 54 - An Act concerning municipalities; relating to the budgets thereof.
Mike Heim, staff, gave an overview of SB 54.

Gerry Ray, Johnson Co. Board of Commissioners, introduced Jack Manahan, Budget Director for Johnson Co., who testified in support of SB 54.
(Attach. V)

Willie Martin, Intergovernmental Coordinator for Sedgwick County, requested support for SB 54. (Attach. VI)

John Moir, Director of Finance of Wichita, testified in support of SB 54. He stated the bill is permissive to local units of government. It allows them to format the budget in the same way as the audit financial statement is prepared by the city. The bill provides needed clarity. (Attach. VII)

E. A. Mosher, League of Kansas Municipalities, testified in support of SB 54. His association offered an amendment to strike "shall" in line 37 and insert "may"; after "include" strike "any amount included as"; on line 38 strike "shall" and insert "of" and after "not" insert "to". It would read as follows: Except for school districts and community colleges, the budget for each fund may include a nonappropriated balance of not to exceed 10% of the total of each fund. (Attach. VIII) Discussion followed.

Chairman closed the hearing on SB 54.

Chairman Miller called for hearings on SB 56.

SB 56 - An Act concerning the general bond law; relating to the issuance and financing of temporary notes.

Mike Heim, staff, gave an overview.

E. A. Mosher, League of Kansas Municipalities, testified in support of SB 56. (Attach. IX) Discussion followed.

Jack Manahan, Budget Director for Johnson Co., testified in support of SB 56. Mr. Manahan stated that currently you can issue temporary notes for anything you can issue bonds for; however, the law contemplates the only way you can pay off those temporary notes is to issue bonds. This would allow you, if you have the money, to issue the notes and pay them off without having to go to the expense of issuing bonds. (No written testimony)

Hearing closed on SB 56.

Chairman Miller called for hearings on SB 61.

SB 61 - An Act concerning cities and counties; relating to public building commissions.

Mike Heim, staff, gave an overview of SB 61. Mr. Heim stated that SB 61 authorizes counties as well as cities to create public building commissions. Current law only authorizes cities to create public building commissions.

Discussion followed.

Gerry Ray, Johnson County Board of Commissioners, testified in support of SB 61. (Attach. X) Discussion followed.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Local Government,

room 521-SStatehouse, at 1:38 ~~a~~/p.m. on March 20, 1989

Willie Martin, Sedgwick County, testified in support of SB 61. (Attach. XI)

Bev Bradley, Kansas Association of Counties, testified in support of SB 61. (Attach. XII)

Discussion followed.

Hearing closed on SB 61.

A motion was made by Representative Mollenkamp to approve the minutes of March 13, 14, and 15; seconded by Representative Bowden. The motion carried.

Meeting adjourned at 3:15 p.m.



**League
of Kansas
Municipalities**

**Municipal
Legislative
Testimony**

An Instrumentality of its Member Kansas Cities. 112 West Seventh Street, Topeka, Kansas 66603 Area 913-354-9565

TO: House Committee on Local Government
FROM: E.A. Mosher, Executive Director
RE: SB 14--Privatization of Municipal Services and Improvements
DATE: March 16, 1989

Background.

The League supports SB 14, which authorizes cities and counties to enter into long term agreements with private contractors for the performance of certain public services. The bill resulted from an interim legislative study by the Special Committee on Local Government. The League's Statement of Municipal Policy provides: "We generally support legislation to facilitate the limited privatization of facilities and services for use by the public, including the authority to enter into multi-year contracts." The amendments adopted by the Senate were proposed by the League.

Summary.

Following is a brief summary of the major provisions of SB 14: (1) Authorizes cities and counties, or two or more municipalities acting jointly, to enter to multi-year agreements with a private contractor for the provision of a capital intensive public service, limited in the bill to solid waste, sewage and water services; (2) Establishes a procedure for a municipality to enter into such contracts, following a published request for proposals, with a requirement that a municipality may not enter into a contract except after a public hearing, following notice. (3) Requires a feasibility analysis which includes a comparative analysis of the cost of providing the service directly or by a private contractor, and requires a finding by the governing body that the proposed agreement "is in the public interest and would provide the public service in an efficient and effective manner". (4) Authorizes the municipality to provide for payment of a service fee to the private contractor, and to raise revenue for this purpose "subject to the same conditions and limitations" as if the facility was owned and operated by the municipality. (5) Prohibits the issuance of bonds for land or facilities to be "sold or given to the private contractor", or the acquisition of land by eminent domain for sale or gift to the private contractor. (6) Contains, in Section 9, provisions as to the property tax status of property owned by the private contractor but used exclusively for the performance of a public service. (7) Provides, in Section 12, an amendment to the cash basis law to specifically recognize multi-year service agreements.

Long Term Contracts.

The most substantive provision of SB 14 is found in Section 3, which authorizes agreements for a term of not to exceed 30 years. Absence such a provision, there is really little new legal authority in the bill. The bulk of the bill, in effect, relates to procedures and restrictions on the implementation of this basic power.

Cities and counties now have statutory or home rule power to enter into annual contracts with private contractors for services, equipment and the use of a capital facility.

*24
3-20-89
Attach - I*

President: Douglas S. Wright, Mayor, Topeka * Vice President: Irene B. French, Mayor, Merriam * Past President: Carl Dean Holmes, Mayor, Plains
*** Directors: Margo Boulanger, Mayor, Sedan * Nancy R. Denning, Commissioner, Manhattan * Ed Eilert, Mayor, Overland Park * Greg Ferris, Councilmember, Wichita * Frances J. Garcia, Commissioner, Hutchinson * William J. Goering, City Clerk/Administrator, McPherson * Jesse Jackson, Commissioner, Chanute * Richard U. Nienstedt, City Manager, Concordia * David E. Ratter, City Attorney, Concordia * Judy M. Sargent, City Manager, Russell * Joseph E. Steingger, Mayor, Kansas City * Bonnie Talley, Commissioner, Garden City * Executive Director: E.A. Mosher**

However, it is difficult to enter into cost effective contracts when a substantial private capital investment is necessary by the contractor to provide the service. Some private contractors will take risks, under a good faith assumption that the contract will be renewed annually for a term long enough to amortize their capital costs. But there is reason to believe that this may be an expensive way to conduct the public business--contractors often "load" the annual contract price with the "cost" of the risk that it may be for only one year.

There is, in Kansas, a considerable amount of "privatization" now under way. In most instances, however, these are more service oriented than improvement oriented. There are few known examples of private contracts as to a capital intensive public service which did not include some kind of government involvement in the financing of the capital costs.

Local units need a realistic option to contract for the performance of services on a multi-year basis, when this is found to be in the public interest. And to be realistic, multi-year contracts are necessary.

Joint Agreements.

It is foreseeable, in the future, that private contracts might be especially advantageous when two or more local units in close proximity are concerned about securing the same service. For example, a group of counties might want to enter into an agreement with a single contractor to meet the sophisticated and expensive methods required for the disposal of solid waste which appears to be facing us in the future.

Technology.

Privatization may be particularly applicable in the future to those public services that are technology-oriented and/or highly regulated, as well as being capital intense. Many municipalities may not be able to afford to hire and retain the personnel needed for such operations, while a private contractor might be able to service a number of municipalities. Further, privatization may prove advisable for those public activities where private business methods is important to the operation, such as the marketing of recycled materials from a waste disposal facility.

Conclusion.

The basic thrust of SB 14 is to provide a realistic option in Kansas, for the future, for the securing of certain local government services through the use of private contractors. The League does not propose that the bill be made a wide-open authorization for any and all public services. However, we strongly support coverage of the function of water and sanitary sewerage as well as solid waste. These are three of the most capital intensive functions of local units. They are becoming increasingly regulated by federal and state laws and EPA-KDHE regulations. The technology and management required to perform these vital functions promises to be more complex and much more expensive, in the future. We think the opportunity to use the private sector, where it is found to be "in the public interest and would provide the public service in an efficient and effective manner" (line 101), should be extended to cities and counties.

3-20-89
1-2

THE CITY OF WICHITA

**DEPARTMENT OF
PUBLIC WORKS**
MAINTENANCE DIVISION
CITY HALL — EIGHTH FLOOR
445 NORTH MAIN STREET
WICHITA, KANSAS 67202
(316) 268-4559

March 16, 1989

House Local Government Committee
R. D. Miller, Chairperson
State Capitol Building
Topeka, Kansas 66612

RE: Senate Bill No. 14: Privatization

Ladies and Gentlemen:

Driven by reduced revenue sharing of state and federal agencies and pressure from citizens to curtail tax increases, local governments have been prompted to find innovative ways of continuing service delivery to citizens at lower costs. While no single approach has solved the financial dilemmas encountered, privatization has become a common effort of many jurisdictions aimed at this goal.

The City of Wichita's Public Works Department became actively involved in privatization in 1979 when solid waste collection was discontinued by the City, and it was taken over by private haulers. Other privatization efforts include numerous consulting activities, cafeteria concessions, landfill operations, certain custodial services, design engineering, and some mass transit services. There are many other services provided through private contractors which could be, or at one time were, delivered by public employees.

Proposed Senate Bill No. 14 would affect local privatization efforts in a positive sense, in that it would allow multiyear contracting for solid waste services. At present, the cash basis law limits contracting to one year, thus discouraging private providers from attempting to participate in the provision of capital intensive services. Multiyear contracts should allow greater privatization and more competition to provide the service. The City of Wichita supports such enabling legislation.

Landfill operations are particularly capital intensive with the high costs of the construction/installation of a bottom liner and leachate collection systems; installation of top liners, gas venting/collection and top soil; large truck scales; construction of interior roadways; offices; maintenance shops for equipment; acquisition of heavy equipment; fuel storage tanks and safety containment walls; installation of utilities; securing a source of

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Attach. II

daily and final cover; and consistency in sampling of monitoring wells to protect water resources. Because of the high cost of these items, single-year contracts are often impractical and costly to the City. Multi-year contracting would allow for the costs to be spread over a longer period, as well as reducing the risk to the contractor, which will result in cost savings to the City.

Street Maintenance and Fleet Maintenance operations are also capital intensive, and, therefore, would also be good candidates for multi-year contracting. Currently, due to the magnitude of capital investment and the prospective workload, the City of Wichita could have additional flexibility in managing their assets by allowing multiple year contracts. With the current arrangement, the companies are not given sufficient guarantees with respect to future commitments, thus reducing the economic advantages for privatization.

Our City Manager appointed a task force in May 1988 to explore the concept of privatization and make recommendations on "how" the City should pursue alternative service delivery opportunities. A final report has been drafted by the group and is expected to be presented to the City Council within the next few weeks. The report addresses privatization legislation, recommending that Senate Bill 14 be supported by the City and adopted by the State and that the City research the need for further legislation which would augment privatization efforts.

Thank you for your consideration.

Very truly yours,



Paul E. Taylor, P.E.
Assistant Maintenance Engineer

PT/cjh

sb14.pet



National Center For Privatization

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March 17, 1989

Robert D. Miller
Chairman
House Committee on Local Government

The purpose of this letter is to urge the consideration and favorable recommendation to the body of the House of legislation addressing privatization of public services. It is the belief of our organization that many, possibly most, of the ills of our economy could be alleviated by replacement of government services by services provided by the competitive private sector.

Senate Bill 14 takes an important step in this direction in that it declares a public policy of permitting the privatizing of certain government services. Endorsement by your committee and favorable action by the House on it or on broader coverage will be an important milestone in moving toward privatizing public services in Kansas.

A group starting 6 years ago in Wichita was concerned about privatization to the point that we formed an organization called the National Center for Privatization. The organization now has grown to a membership of over 2,000 and an advisory committee that includes national figures like J. Peter Grace and others shown on our letterhead.

We are continuing to build our national membership and conducting an educational program on privatization through direct mail.

We publish a monthly educational newsletter, PRIVATE SOLUTIONS, which is sent to our members and is available for further distribution. Attached is a copy of our March issue.

NCP has representatives in Washington, D.C. and San Francisco who are available as speakers and conference coordinators.

Our objectives at the Center are to educate and motivate a grassroots constituency for privatization. This involves translating much of the "think tank" material on the subject into direct appeals to the person on the street. In addition we intend to act as a catalyst for companies taking over services that were formerly public. We believe this will be a major source of economic growth in the next decade.

We appreciate this opportunity to present our information to your committee.

Sincerely,


George Trombold

National Office

P.O. Box 1998 • Wichita, Kansas 67201-1998 • (316) 261-5415

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Attach. III

Privatization: A Worldwide Trend

By Robert W. Poole, Jr.

All around the world, from Britain to China, governments are selling state-owned enterprises and contracting with business to deliver public services. The same trend is very evident at the state and local level in the United States. The surprising exception is our own deficit-ridden federal government.

The perception persists in Washington that privatization is some sort of ideological, right-wing crusade. Yet the worldwide trend defies such pigeonholing. Sixty-five countries on six continents are involved. In 1987 some \$92 billion in state-owned enterprises were sold to private investors—\$57 billion in Japan alone (Japan Air Lines and Nippon Tele-phone.) Over the past eight years Margaret Thatcher's government has sold off \$49 billion worth of enterprises, including British Telecom, British Gas, and even British Airports Authority.

Privatization also involves labor and socialist governments such as those of New Zealand, Spain, Italy, and Sweden, as well as debt-plagued Third World states like Bangladesh, Togo, Jamaica, Argentina, and Mexico. Even China is getting into the act. Last year Peking granted a thirty-year franchise to a Hong Kong company to build a \$1 billion private toll road linking Canton with Macao and Hong Kong.

Robert Poole is President of the Reason Foundation. He is the author or editor of five books and has served as a White House consultant on privatization. Poole is also a member of the NCP National Advisory Board. This article originally appeared in the California Republican League Newsletter for September/October 1988.

Governments are opting for privatization for at least three major reasons:

(1) *Privatization reduces debts and deficits.* Selling state-owned enterprises eliminates the annual drain on the treasury from subsidizing operating losses, puts valuable properties back on the property tax rolls, and generates

“The surprising exception to the worldwide trend toward privatization is our own deficit-ridden federal government.”

one-time windfall sales revenues. New Zealand's labor government plans to pay off 25 percent of its national debt via the sale of assets over the next few years.

(2) *Privatization improves the efficiency of enterprises.* Besides the monetary savings, marketplace discipline leads to lean-and-mean, competitive enterprises. British Steel was once a white elephant, hopelessly unproductive. Today, put in fighting trim for its 1988 privatization, it has become the lowest-cost steel producer in Europe.

(3) *Privatization can be used to spread ownership.* Thanks to privatization, share-ownership in Britain has increased from 9 percent of the population in 1983 to 21 percent today. In

France, 1987's privatization led to six million new shareholders. Privatization is also helping to create a stock market in small countries like Jamaica.

Making City Hall More Efficient

Here at home, privatization more often means contracting-out public service delivery. A 1983 national survey for the Department of Housing and Urban Development found that private contracting predominates for 13 of 59 municipal services, including garbage collection, day care, paratransit, and vehicle towing. And a 1987 Touche Ross survey found that 98 percent of those jurisdictions which privatize have experienced cost savings—typically in the 10 to 30 percent range. Detailed studies of individual services have found even larger cost savings. Having government sweep the streets rather than private contractors is 43 percent more costly. City garbage collection is 60 percent more costly, building maintenance 73 percent more costly, and asphalt paving 96 percent more costly.

State and local privatization has proceeded through three general phases. The first, by now quite routine, involves contracting out government “housekeeping” functions—janitorial services, fleet maintenance, etc. Phase two involves more visible services delivered to the public—garbage pickup, recreation programs, paramedics. The third phase, which is only now getting started, involves large-scale “turnkey” projects in which a private consortium finances, designs, builds, and operates new infrastructure—such as hospitals, jails, wastewater treatment plants, and

(continued on page 2)

Worldwide Trend

(continued from page 1)

(recently) highways and bridges.

Why Not Federal Privatization

Despite this impressive record—and despite Ronald Reagan's rhetoric—there has been virtually no real privatization of federal programs or enterprises during the past eight years. There was an abortive effort to sell some federal lands in Reagan's first term (strongly opposed by James Watt, contrary to media portrayals). The only actual privatization was a heavily subsidized divestiture of the Landsat remote-sensing satellite program.

Reagan's second term has seen limited progress, beginning with a 1985 White House seminar on privatization. That eventually led to the creation of a "privatization czar" in the Office of Management and Budget and the inclusion of privatization in the Administration's budget proposals. The only successful sale thus far was 1987's \$1.6 billion public stock offering of Conrail. Last March, the President's Commission on Privatization issued an "excellent report, but this agenda for action comes at the end, rather than at the beginning of the "Reagan Revolution."

Why has privatization become routine in the states and overseas while it remains a controversial idea in Washington? One reason is that state and local governments can't solve their fiscal problems by printing money. Forced to balance their budgets, they have embraced privatization as a way of getting more value for their citizens' tax dollars.

Analogies with other countries break down in part because most successful privatizers abroad are parliamentary systems. When a Thatcher or a Chirac or a Nakasone government decides to privatize, it has a virtually assured legislative majority to enact its program.

It is often argued that, unlike most other countries, the United States has little to privatize because our government never nationalized extensive domains of the economy. But this perception is misleading. The Grace Commission documented the fact that the federal government is the nation's

POTENTIAL FEDERAL PRIVATIZATION		
Asset to be Sold	Sale Proceeds	Annual Savings
Federal commercial lands	\$136 billion	\$1.3 billion
Federal loan assets	95 "	15 "
Tennessee Valley Authority	12.3 "	
Radio & TV frequencies	8.6 "	
U.S. Postal Service	8 "	
Obsolete military bases	5 "	1 "
Naval Petroleum Reserves	4 "	
Washington, DC, airports	3 "	
Air traffic control system	2 "	1.2 "
Power Marketing Authorities	1.8 "	
Amtrak	1 "	.6 "
Totals	\$276.7 billion	\$19.1 billion

largest land-owner (744 million acres), employer (5 million people), insurer, borrower, lender, tenant, and landlord. All of these commercial activities are done very inefficiently due to the inherent constraints of politics and bureaucracy. Only by privatizing such activities can we expect them to be operated in a truly business-like fashion.

In fact, there is tremendous potential for privatization of federal assets and enterprises. Consider the table above, based on a recent Reason Foundation task force study. This modest (and incomplete) list indicates that the federal government does have assets to sell of a magnitude comparable to those of the British, French, and Japanese, who are using asset sales to reduce their debts and balance their budgets.

Broadening Privatization's Base

Privatization has become a broadly supported program overseas in part because it has been marketed more effectively. Rather than being presented as a narrow, ideological crusade, privatization has been crafted as a program with widespread benefits. Workers and customers of state-owned enterprises have been cut in on the deals as stockholders. Special care has been taken to protect those (such as rural customers of British Telecom) who might suffer losses from the transition to a commercial enterprise. We need to learn from this wealth of experience overseas, to make privatization a broad-based, bipartisan program for the 1990's.

(1) *Reframe the issue rhetorically.* Although fiscal savings are a major benefit of privatization, they cannot be

pursued as the major focus. Rather, the focus must be on the benefits to be achieved by substituting high-tech, competitive enterprise for rigid government bureaucracies—safer, state-of-the-art air traffic control, for example, and efficient, on-time mail delivery. The world's leading capitalist nation deserves better than its present third-rate air traffic control and postal monopoly.

(2) *Build coalitions in favor of privatization.* Just as the advocates of government spending programs identify beneficiaries and build coalitions, so must the advocates of privatizing federal enterprises. Potential beneficiaries include customers of the service, potential private providers, and investment bankers who will arrange the financing and stock offerings.

(3) *Design compensation for potential opponents.* Workers and managers can benefit directly if given a piece of the action as stockholders. (Employee stock-ownership was a key factor in making the Conrail privatization a success). Where subsidized customers are involved (e.g., buyers of TVA electricity and hikers in National Forests), the privatization must be designed with special provisions to protect those constituencies. (For example, the sale of a National Forest can include stringent deed restrictions to protect access rights for hikers and campers.)

It is widely agreed that the federal government is living beyond its means. The National Economic Commission is wrestling with the awful trade-offs between raising taxes and cutting pro-

(continued on page 4)

PRIVATIZATION TRENDS

I. MONEY (Jobs, Insurance, Investment)

Section 89 a Disaster!

"A misguided attempt by Congress to make benefits fairer for lower-paid workers puts employee [insurance] plans at risk because many small companies—as they discover the complexities of compliance—may be discouraged from offering benefits at all."

Section 89 became effective Jan. 1, 1989 as part of the Tax Reform Act of 1986. Instead of helping the lower paid worker this law could actually harm them by eliminating benefits. Says Frederick J. Krebs, manager of business and government policy for the U.S. Chamber of Commerce, "It will tend to decrease flexibility and increase administrative costs. The effect will be fewer benefits and fewer businesses offering benefits."

Employees will be taxed on any benefits they receive if the employer fails to maintain a "qualified" plan, which entails compliance with another set of rules similar to those already applied to pension plans.

For detailed information about

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this law, write to: Hugh McCahey, Manager, Association Dept., U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, DC 20062 and request Publication No. 0123. (Cost is \$5 a piece for the first nine copies, \$4 each for 10-99 copies, and \$3 each for 100 or more copies.)

Or you can write: Section 89, Employee Relations Policy Center at the same Washington address for a free copy of "A Brief Explanation of Section 89 of the Internal Revenue Code."

—"Government Gone Crazy" by Roger Thompson, *Nation's Business*

COFIRE To Stop Tax Increases

Recently a coalition was formed to work together to prevent tax increases and to promote spending restraint in Congress. The Coalition for Fiscal Restraint (COFIRE) will represent the broad interests of taxpayers and businesses against the "tax and spend" politicians and special interest groups in Washington, DC. For more information write: Citizens for a Sound Economy, 470 L'Enfant Plaza, SW, East Building #7112, Washington, DC 20024.

II. HEALTH (Food, Fitness, Wellness)

Health Care Conference

The Privatization Council has been awarded a \$40,000 grant (by the U.S. Agency for Int'l Development) for partial support for a conference on Public-Private Partnerships in Health Care to be held in Singapore February 28th and March 1st.

III. PROPERTY (Home, Personal Property, Real Estate & Equipment)

Rent Control and the Homeless

The worst homelessness is concentrated in those few cities with rent control. During the 1970s experiments done in Wisconsin and Indiana indi-

cated that providing the poor with "rent stamps" in a normal market led to an upsurge of availability in low-income housing. Supply responded to demand. But in cities with rent control, price regulations have so disrupted the market that many poor people cannot even spend their vouchers.

In a normal market, the increased buying power in the hands of the poor pushes up the market price of rental housing and encourages supplies to bring forth more low-income housing either through construction or by conversion from other uses. Rent control disrupts this "price communication." Result: poor consumers find their increased buying power has no effect on supply.

—"America's Homeless: Victims of Rent Control," *Heritage Backgrounder*

IV. KNOWLEDGE (Education, Communication, Media)

Government TV

In the past, European governments dominated the TV industry with government-owned monopolies and regulated franchises. The result has been mostly dull TV-viewing with few program choices.

Because of consumer demand and competition from cable and satellite TV many governments are now privatizing publicly owned stations and permitting new private television ventures.

For example: Italy started this trend in 1974 followed by France and Denmark. Sweden is allowing two payable services to compete with its two state-owned networks and Spain is making plans for two ad-supported networks in the next two years.

American TV program distributors also expect to benefit from this privatization trend in Europe through increased revenues.

—*Privatization Watch* (Reason Foundation)

PRIVATIZATION TRENDS (continued)

Public versus Private

There are 6000 administrators in the Central Office of the New York Public School system. For the city's Catholic School system, which is one-fifth to one-fourth the size, there are 25 people in the central bureaucracy. Were the public school system as efficient it would run on fewer than 150 bureaucrats.

—"Making Schools Better," Manhattan Institute paper

V. ENVIRONMENT (Natural Resources, Recreation, Infrastructure)

Anticipated Privatization

Municipalities are using the mere threat of public competition to get better service and lower rates.

VI. SAFETY (Protection, Law & Order, Defense)

Define: Privatization

The transfer of assets or service functions from public to private ownership or control has been employed with increased frequency throughout most parts of the world since 1980. Its objectives vary. Those most frequently cited

include:

1. Improvement of the economic performance of the assets or service functions concerned;
2. Depoliticization of economic decisions;
3. Generation of public budget revenues through sales receipts;
4. Reduction in the power of public section unions; and
5. Promotion of popular capitalism through the wider ownership of assets.

—*A New Palgrave: A Dictionary of Economics*, edited by John Eatwell, Murray Milgate, and Peter Newman (as reported in Reason Foundation's *Privatization Watch*)

VII. SOCIAL (Family/Self, Associates, Moral/Spiritual)

Disaster Relief

After Jamaica was hit last fall by Hurricane Gilbert a unique plan privatized disaster relief. The plan was designed to minimize the additional costs and delays incurred when another level of bureaucracy is created.

The government, as the wholesaler, sold the goods it received from various donors to private-sector retailers. These funds were used to issue food

stamps, which were redeemed by the hurricane victims for the goods.

According to Jamaica's prime minister, Edward Seaga, "there is a general satisfaction that money and supplies sent by donors abroad are reaching the people for whom they are intended and being stretched as far as possible in an atmosphere almost entirely free of political patronage."

—*Privatization Report*

NCP NEWS

NCP and the White House

NCP East Coast Director Verne Harnish met with President Bush and Vice President Quayle on January 10th to discuss entrepreneurship, education, U.S. economic policy, international trade and development, and privatization. Verne was one of only twelve people that met with the President on these vital issues!

Congratulations:

Governor John Sununu (Chairman of Consumer Alert) on being appointed Chief-of-Staff for President Bush.

Wayne Gable, new president of Citizens for a Sound Economy.

Worldwide Trend

(continued from page 2)

grams. Privatization offers a third alternative—one which is widely accepted overseas and in our statehouses and city halls.

The message of privatization is that government should stick to what it does best and leave commercial activities to the private sector. The result can be dramatically lower costs to the taxpayers, as well as more efficient, competitive services and a more productive economy. As we address our fiscal problems and get our economy in shape for the 21st century, privatization ought to be one of our major tools. •

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FAX (913) 233-4830

TESTIMONY

March 16, 1989

TO: Representative R. D. Miller, Chairman
Members Local Government Committee

From: Bev Bradley, Legislative Coordinator
Kansas Association of Counties

RE: SB 14 Privatization of certain capital intensive public services

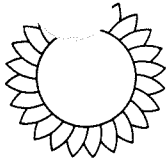
"The Kansas Association of Counties supports comprehensive legislation to allow contracting with the private sector for services for solid waste management, storm sewerage and waste water, and provision of potable water." This statement is part of our legislative policy adopted in November for the 1989 Legislative session.

We understand there are provisions in current statutes which allow municipalities to enter into contracts with private entities in a number of areas. These are however, one year contracts. Counties are currently using privatization in several areas of government where county officials feel it is an effective tool to provide public services in an efficient manner and the statutes allow for its use.

Each county in Kansas is required by statute to have a waste management committee, a waste management plan, and a planned solid waste management system. It is, therefore, the solid waste area in which we are most interested. As the regulations become more stringent, more capital will be required to provide the services. If a finding is made by the governing body that a proposed agreement with a private contractor "is in the public interest and would provide the public service in an efficient and effective manner", a multi year contract may be essential because of the amount of capital required to provide the service. SB 14 would allow for agreements for a term of not to exceed 30 years.

The Kansas Association of Counties supports the bill in its present form.

JB
3-21-89
Attach IV



HOUSE LOCAL GOVERNMENT COMMITTEE

MONDAY, MARCH 20, 1989

SENATE BILL 54

TESTIMONY OF JACK MANAHAN, DIRECTOR OF MANAGEMENT & BUDGET
JOHNSON COUNTY BOARD OF COMMISSIONERS

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, I AM JACK MANAHAN, REPRESENTING THE JOHNSON COUNTY BOARD OF COMMISSIONERS. THANK YOU FOR THE OPPORTUNITY TO SPEAK IN SUPPORT OF SENATE BILL 54.

THIS BILL WOULD ALLOW LOCAL GOVERNMENTS TO ESTABLISH NON-APPROPRIATED RESERVES. MOST PEOPLE WOULD AGREE THAT IT IS GOOD CONSERVATIVE FISCAL STEWARDSHIP FOR LOCAL GOVERNMENTS NOT TO SPEND EVERY DOLLAR THEY GET THEIR HANDS ON. HOWEVER, CURRENT STATUTES ENCOURAGE JUST THAT, IN THAT THEY REQUIRE THAT THE REVENUE BUDGET BALANCE THE EXPENDITURE BUDGET, AND THAT ALL OTHER AVAILABLE REVENUES BE USED BEFORE ANY AD VALOREM TAXES ARE LEVIED. WERE THE STATE REQUIRED TO HANDLE ITS FINANCES UNDER THIS LIMITATION, THERE WOULD BE NO DISCUSSION ABOUT WINDFALLS; ALL AVAILABLE FUNDS WOULD HAVE TO BE BUDGETED TO REDUCE THE STATE'S CURRENT 1.5 MILL PROPERTY TAX LEVY. NOT ONLY WOULD THE WINDFALL BE GONE, BUT SO WOULD THE STATE'S RESERVES.

UNDER CURRENT LAW, IT IS POSSIBLE TO CREATE RESERVES BY APPROPRIATING THEM IN THE BUDGET. HOWEVER, THIS PRACTICE OVERSTATES PLANNED EXPENDITURES OF THE GOVERNMENT. IT IS DIFFICULT TO EXPLAIN TO CITIZENS AND POLICY MAKERS ALIKE THAT ALTHOUGH YOU ARE APPROPRIATING THE MONEY, YOU AREN'T REALLY GOING TO SPEND IT. TO MOST PEOPLE, WHEN MONEY IS APPROPRIATED, IT IS INTENDED TO BE SPENT.

IT IS ALSO POSSIBLE FOR LOCAL GOVERNMENTS TO CREATE RESERVES BY DELIBERATELY UNDERSTATING EXPECTED REVENUES, AND OVERSTATING PLANNED EXPENDITURES. SUCH CONSERVATISM IS GOOD, BUT THE UNIDENTIFIED SURPLUS IS NOT ALWAYS OBVIOUS TO CITIZENS OR EVEN TO THE GOVERNING BODY, BECAUSE IT IS MADE UP OF MANY SMALL UNDERSTATED NUMBERS RATHER THAN A SINGLE "NON-APPROPRIATED RESERVE." FURTHER, TO PLAN FOR RESERVES IN THIS MANNER, IT IS ALMOST NECESSARY TO HAVE TWO BUDGETS--ONE FOR SHOW, AND THE OTHER FOR HOW YOU THINK IT WILL REALLY TURN OUT. I'M SURE YOU WILL AGREE THAT THIS IS NOT THE BEST WAY TO PROMOTE OPENNESS IN GOVERNMENT AND TRUST BETWEEN STAFF AND ELECTED OFFICIALS.

ON THE BACK OF THIS TESTIMONY IS A CHART SHOWING HOW A RESERVE MIGHT BE UTILIZED SHOULD SENATE BILL 54 BECOME LAW. THE STATE OF THE ART IN THE PRACTICE OF LOCAL GOVERNMENT FINANCIAL MANAGEMENT HAS CHANGED SINCE MANY OF THE KANSAS LOCAL GOVERNMENT BUDGET LAWS WERE ENACTED. THIS BILL WILL NOT SOLVE ALL OF THE PROBLEMS LOCAL GOVERNMENTS HAVE WITH BUDGETING, ACCOUNTING, AND FINANCIAL REPORTING ISSUES; BUT IT IS AN EXCELLENT FIRST STEP, AND I URGE THE COMMITTEE TO SUPPORT IT.

JJ
3-20-89
Attach V

CURRENT LAW

	<u>19xx</u> <u>Budget</u>	<u>19xx</u> <u>Actual</u>	<u>19yy</u> <u>Budget</u>
Previous Ending Balance	50,000	100,000	75,000
Revenues Other Than Property Tax	<u>625,000</u>	<u>650,000</u>	<u>625,000</u>
Total Available Resources	675,000	750,000	700,000
Expenditures	<u>875,000</u>	<u>850,000</u>	<u>875,000</u>
Difference	200,000	100,000	175,000
Property Taxes	<u>200,000</u>	<u>200,000</u>	<u>175,000</u>
Ending Balance	0	100,000	0

PROPOSED UNDER SENATE BILL 54

	<u>19xx</u> <u>Budget</u>	<u>19xx</u> <u>Actual</u>	<u>19yy</u> <u>Budget</u>
Previous Ending Balance	50,000	100,000	75,000
<i>LESS UNAPPROPRIATED RESERVE</i>	<u>25,000</u>		<u>50,000</u>
Appropriated Balance	25,000	100,000	25,000
Revenues Other Than Property Tax	<u>650,000</u>	<u>650,000</u>	<u>650,000</u>
Total Available Resources	675,000	750,000	675,000
Expenditures	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>
Difference	175,000	100,000	175,000
Property Taxes	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>
Ending Balance and Reserve	0	75,000	50,000



SEDGWICK COUNTY, KANSAS

INTERGOVERNMENTAL COORDINATOR

WILLIE MARTIN

COUNTY COURTHOUSE • SUITE 315 • WICHITA, KANSAS 67203-3759 • TELEPHONE (316) 268-7552

MARCH 20, 1989

TO: HOUSE LOCAL GOVERNMENT COMMITTEE

FROM: WILLIE MARTIN
SEDGWICK COUNTY

REF: SENATE BILL 54

Mr. Chairman and members of the Committee, I am Willie Martin representing the Sedgwick County Board of Commissioners.

The Sedgwick County Legislative Policy Statement supports the revision of state laws governing municipal finance procedures to recognize modern financial procedures and practices.

We believe that to authorize municipalities to specifically budget up to 10 percent of a fund total for a non-appropriated balance would further encourage multi-year financial planning. This would give the elected governing body, which is responsible for the adoption of the budget, a clear policy choice to plan for a reserve. These figures would then be clearly detailed in the budget and open to public scrutiny. The use of fund reserves, where feasible, could provide for flexibility in local fiscal management.

I appreciate this opportunity to appear before you and would respectfully request your support of Senate Bill 54.

LM
3-20-89
Attach. VI

WICHITA



DEPARTMENT OF FINANCE
OFFICE OF DIRECTOR
CITY HALL — THIRTEENTH FLOOR
455 NORTH MAIN STREET
WICHITA, KANSAS 67202
(316) 268-4434

March 20, 1989

The Honorable Robert D. Miller, Chairperson
House Committee on Local Government
Senate Chambers, Statehouse
Topeka, KS 66612

Dear Mr. Miller:

I appreciate the opportunity to address the Committee on Senate Bill No. 54, concerning non-appropriated budget balances. The bill amends current law (K.S.A. 79-2927) to permit local governments to maintain a non-appropriated balance of up to 10 percent of the total expenditures for each fund. The amount of the balance would be reported in the budget, which is reviewed by the governing body and identified in the formal budget document submitted to the State Municipal Accounting Section via the County Clerk.

The concept of a non-appropriated balance is similar to the way the State Legislature appropriates moneys from the various funds in the State Treasury. The Legislature rarely appropriates all of the money available in each fund due to a commitment to sound financial management. Senate Bill No. 54 would allow local government to follow a process of appropriation similar to that used by state government.

Current Procedures

Under existing law, city/county governments are required to appropriate all of the estimated resources expected to be available in the new budget year. Resources include current annual revenues to be received in the new budget year plus all of the estimated unencumbered fund balance to be carried forward from the prior year. This procedure eliminates any formal "savings account" that local governments may perceive as prudent, reasoned, and necessary to protect the delivery of services and timely payment of obligations from interruption due to unexpected events. Unexpected events include shortfalls in revenues (e.g., a decline in sales tax collections, special assessments, etc.) and extraordinary additional expenditures (e.g., equipment failures, street repairs, etc.). Obviously, local governments use informal methods to maintain fund balances.

LL
3-20-89
Attach VII

THE CITY OF WICHITA

The Honorable Robert D. Miller, Chairperson
House Committee on Local Government
March 20, 1989
Page 2

These methods could include understating revenues, overstating expenditures, or appropriating the "savings account" as a miscellaneous or sundry expense (not to exceed 10 percent of expenditures). All of these methods misrepresent or distort the budget to the governing body and the public, reducing its usefulness as a tool for forging public policy and administering the budget and impeding financial planning. If revenues are intentionally understated, how can reliable projections be made concerning future revenues? If expenditures are overstated, how can future spending trends be determined? How can the governing body evaluate and enact tax and other pricing policies and establish spending limits without reliable budget estimates? How can the budget have any credibility with the taxpayers under these conditions?

In the event that local government resources are not available to meet expenditures, a cumbersome process can be followed to issue no-fund warrants: a formal application is made to the Board of Tax Appeals, the Board publishes two notices of hearing in a paper of general circulation within the district applying for warrants at least 10 days prior to the hearing, warrants must be registered with the County Treasurer, bear interest, warrants are payable by the County Treasurer, and must be redeemed over not more than the following five years by a special tax levy for such purpose. The no-fund warrant procedures are complex, costly, and time-consuming and are intended to be a mechanism of last resort.

Amendments to Current Law

The proposed amendments to K.S.A. 79-2927 would allow local governments to construct budgets in accordance with professional financial reporting standards. Revenues and expenditures could be realistically estimated. The "savings account" could be fully disclosed. Financial planning could be improved, which would allow the opportunity to anticipate future events with more precision and promote stable tax rates (by avoiding surprises). City management, public officials, and the general public could better understand the budget as a financial plan and policy document. The financial position of the local government could be viewed more accurately by bond rating agencies and public finance analysts, improving the long-term credit ratings of Kansas communities (this would have a favorable impact on capital improvement borrowing costs).

The City of Wichita strongly supports Senate Bill No. 54 and urges your favorable consideration of this measure.

Sincerely,



John Moir
Director of Finance/City Clerk

JM/gf

EXAMPLE: PROFESSIONAL BUDGETARY STATEMENT FORMAT

A. Out of Balance Condition

Current Annual Revenues	\$ 900
Current Annual Expenditures	1000
Revenues over (under) expenditures	(100)
Beginning Fund Balance, January 1	100
Ending Fund Balance, December 31	0

B. In Balance Condition

Current Annual Revenues	\$ 900
Current Annual Expenditures	900
Revenues over (under) expenditures	0
Beginning Fund Balance, January 1	100
Ending Fund Balance, December 31	100



**League
of Kansas
Municipalities**

**Municipal
Legislative
Testimony**

An Instrumentality of its Member Kansas Cities. 112 West Seventh Street, Topeka, Kansas 66603 Area 913-354-9565

TO: House Committee on Local Government
FROM: E.A. Mosher, Executive Director
RE: SB 54 -- Municipal Non-appropriated Budget Balances
DATE: March 20, 1989

The League of Kansas Municipalities supports the passage of SB 54, to amend K.S.A. 79-2927 to specifically authorize certain municipalities to annually budget a non-appropriated reserve balance of not exceeding 10% of the budget total. The League's convention-adopted Statement of Municipal Policy provides: "provisions should be made for authorizing non-appropriated fund balance reserves within the annual budget".

Explanation of Bill. The amendments to K.S.A. 79-2927 included in SB 54 make a number of minor, non-substantive changes to this statute, originally enacted in 1933. The only substantive change is to add language that any amount included as a non-appropriated balance shall not exceed 10% of the total of each fund. The Senate Committee amendments, to exclude school districts and community colleges, resulted in some confusing wording, which we suggest be clarified, as later explained.

The bill does not change the provisions of K.S.A. 79-2934, which requires balances at the end of the budget year to be carried forward to the credit of the fund for the ensuing budget year. If, for example, \$50,000 was budgeted in the general fund for 1990 as a "non-appropriated balance," that \$50,000 would need to be included as a revenue in the budget for 1991 and be appropriated for expenditure in 1991.

Background. Unlike the state government, local governments must budget, in a single document adopted by the governing body, the amount of estimated revenues to be received as well as the amount which may be legally spent. The local budget law does not make any provision for municipalities to have a surplus, cushion or other reserve within the adopted operating budget, since the budget of expenditures for each fund must balance with the budget of revenues.

In practice, most municipalities indirectly provide for an end-of-the-year balance. One reason for this is that revenues and expenditures are uncertain, and they do not like to go to the state board of tax appeals to beg for emergency warrants. Secondly, the property tax levy is the balancing item for most funds, and some governing bodies like to maintain a planned surplus to help stabilize property tax rates.

There are now at least two ways a municipality may lawfully maintain a reserve within their operating funds. The first way is to deliberately underestimate revenues, and overestimate expenditures. Another way to achieve a balance is to include an amount, up to 10 percent, for the authorized "sundry or miscellaneous purposes", and then not spend it.

Both of these techniques have some shortcomings. The unidentified surplus (from under-budgeted revenues and over-budgeted expenditures) does not become known to the public, and may not be fully known by the governing body, since its identity is buried. The

3-20-89
Attach VIII

President: Douglas S. Wright, Mayor, Topeka * Vice President: Irene B. French, Mayor, Merriam * Past President: Carl Dean Holmes, Mayor, Plains
*** Directors: Margo Boulanger, Mayor, Sedan * Nancy R. Danning, Commissioner, Manhattan * Ed Eiert, Mayor, Overland Park * Greg Ferris, Councilmember, Wichita * Frances J. Garcia, Commissioner, Hutchinson * William J. Goering, City Clerk/Administrator, McPherson * Jesse Jackson, Commissioner, Chanute * Richard U. Nienstedt, City Manager, Concordia * David E. Retter, City Attorney, Concordia * Judy M. Sargent, City Manager, Russell * Joseph E. Steineger, Mayor, Kansas City * Bonnie Talley, Commissioner, Garden City * Executive Director: E.A. Mosher**

problem with using the "sundry or miscellaneous" account is that it is really intended as a budget item for expenditure during the budget year, not as a planned reserve amount.

Advantages of Bill. Authorizing municipalities to specifically budget up to 10% of a fund total for a non-appropriated balance would encourage multi-year financial planning. It would explicitly authorize by law that which is now achieved by burying the amount of any balance in a mass of numbers. The elected governing body which adopts the budget would have a clear policy choice as to whether they want to plan for a reserve, and the amount. And if they do, they will need to defend this to the public and taxpayers since the amount of the budgeted surplus will be known.

PROPOSED AMENDMENT

32 the preparation of budgets for all taxing subdivisions or mu-
33 nicipalities, there shall not be included The budget for each fund
34 shall not include any item for sundry or miscellaneous purposes in
35 excess of ten percent (10%) 10% of the total amount of any such
36 budget and. Except for school districts and community colleges, the may
37 budget for each fund shall ~~include any amount included as a non-~~ of
38 appropriated balance shall not exceed 10% of the total of each fund. to

3-20-89
8-2



**League
of Kansas
Municipalities**

**Municipal
Legislative
Testimony**

An Instrumentality of its Member Kansas Cities. 112 West Seventh Street, Topeka, Kansas 66603 Area 913-354-9565

TO: House Committee on Local Government
FROM: E.A. Mosher, Executive Director
RE: SB 56--Municipal Temporary Notes
DATE: March 20, 1989

SB 56 would implement a League convention-adopted Statement of Municipal Policy section which provides: "K.S.A. 10-123 should be amended to specifically authorize cities to make payments on temporary notes from sources of revenue other than the issuance of bonds". Further, it amends certain provisions of this statute relating to "road bonds" to generally authorize the financing of projects involving state and federal grants. The bill applies to all local governments.

Background

Temporary Note Financing. Most major capital improvements undertaken by Kansas local governments are financed by the issuance of bonds. For public improvements which are to be paid for by the issuance of general obligation bonds, K.S.A. 10-123 provides for the issuance of temporary notes for the short term financing of project costs, with the bonds normally issued after completion of the project when the complete costs are known.

In some instances, it is financially feasible and advisable for a municipality to retire some or all of the temporary notes directly from current revenue sources, thereby reducing the amount of the bonds or avoiding the added costs of actually issuing bonds. Since temporary notes must mature not later than four years from the date of issuance, the exclusive use of temporary notes to finance a project, without a subsequent bond issue, is restricted to those projects which can be fully financed within the four year limitation.

Some local governments are known to have issued temporary notes with the expectation that some or all of the notes will be retired from current sources without the issuance of bonds. The objective of SB 56 is to make it clear that temporary notes may be issued for a project for which bonds are legally authorized, with the intent of issuing bonds only if bonds prove necessary.

Road Bonds. K.S.A. 10-123 now provides that temporary notes involving "road bonds" shall not exceed the amount of the unissued bonds and "the state or federal aid granted to the project." The meaning of "road bonds" is uncertain. Further, the restriction of this provision to "road bonds" leaves confusion as to the debt-financing of other non-road projects involving state or federal grants.

Explanation of Bill Provisions

The changes in lines 21:22 removes the apparent requirement that temporary notes may be issued only if bonds are to be issued, but provides that the bonds must be authorized to finance the project before temporary notes may be issued. The change in lines 28:29, substituting "may" for the words "are to", further clarifies the intent that bonds are not required to be issued for any improvement costs which have been otherwise paid for.

yy
3-20-89
Attach IX

President: Douglas S. Wright, Mayor, Topeka * Vice President: Irene B. French, Mayor, Merriam * Past President: Carl Dean Holmes, Mayor, Plains
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The amendment on lines 46:48 provide that temporary notes may be retired in whole or in part from current revenue. It says, in effect, that the amount of any bonds issued are to be reduced by those costs which have already been paid by the retirement of the temporary notes--which could be 100%. For example, if a city has a \$40,000 street improvement project and is authorized to issue bonds therefore, it may issue \$40,000 in temporary notes. If the city has sufficient revenue from current sources, such as from the general fund or from state highway aid payments, it may be able to pay the principal and interest and retire the temporary notes, and thus avoid the necessity of issuing any bonds. The requirements that temporary notes must be retired within four years are not removed by the bill.

The changes in lines 30:32 would permit the issuance of temporary notes for any purposes for which state or federal aid is available, not just for "road bonds" for which state and federal aid is to be granted. Such a provision is needed since some state and federal grants are on a reimbursement basis--the municipality must initially finance the costs covered by the state or federal share, and is later reimbursed. The amendment would also eliminate the legal necessity of issuing bonds for the state or federal share, when the temporary notes are retired from the state or federal aid.

Advantages

The change relating to the financing of temporary notes could result in some significant savings to municipalities. It could eliminate the cost of issuing bonds for improvements to the extent the temporary notes can be financed from non-bond sources within the four year maximum period. In some instances, no bonds may be needed.

Short term temporary notes are an attractive financial investment, including investments by local banks. They constitute a general obligation of the municipality, and are often sold at a lower cost than bonds. The purchaser of temporary notes is protected, with the knowledge they are general obligations; if current revenues fail to provide for the full and timely payment of the principal and interest on the notes, general obligation bonds are issued to retire the notes.

The second basic change, permitting temporary notes to include state or federal grants for other than "road bonds", would also be financially advantageous to municipalities. It would clarify the financing of state or federally assisted projects for general highway improvements including safety and railroad crossings, CDBG grants for community improvements, airport improvements and other projects.

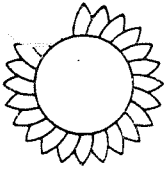
Specific Statutes Authorizing Temporary Notes in Lieu of Bonds

K.S.A. 12-1664. To fund the federal share of direct federally-assisted projects prior to reimbursement.

K.S.A. 12-5401. To finance asbestos control projects.

K.S.A. 75-6113. To finance judgments under the Kansas Tort Claim Act.

K.S.A. 72-671. To finance school district improvements, in lieu of bonds.



Johnson County
Kansas

MARCH 20, 1989

HOUSE LOCAL GOVERNMENT COMMITTEE

HEARING ON SENATE BILL 61

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

Mr. Chairman, members of the committee, my name is Gerry Ray representing the Johnson County Board of Commissioners.

Senate Bill 61, that was introduced at the request of Johnson County, grants authority to counties to create Public Building Commissions (PBCs) in the same manner as current statutes provide to cities.

A Public Building Commission has the power to acquire building sites and construct, reconstruct, equip and furnish buildings or other facilities such as parking structures. They can enter into leases with other governmental entities, for the purpose of building such facilities. The proceeds from the leases are used to retire bonds issued by the PBC for the project.

PBCs provide an alternative financing mechanism for building projects in which the operating budget can pay the cost of the lease but not the full cost of the new building. An additional advantage is that bonds issued by a PBC will generally receive more favorable interest rates than a lease/purchase arrangement that a third party financier could provide.

Counties are now able to work with cities to use the PBC concept, however there are many instances when a PBC does not exist in the city where the county facilities are needed. It is also a very complex process to work through all of the details of construction when two governmental entities are involved.

Senate Bill 61 does not create any new authority it merely extends existing authority to counties and grants them the same financing options that cities have had for some time.

Thank you for your time and consideration of the proposal. Johnson County requests that Senate Bill 61 be recommended for passage by the committee.

LR
3-20-89
Attech ~~X~~



SEDGWICK COUNTY, KANSAS

INTERGOVERNMENTAL COORDINATOR

WILLIE MARTIN

COUNTY COURTHOUSE • SUITE 315 • WICHITA, KANSAS 67203-3759 • TELEPHONE (316) 268-7552

MARCH 20, 1989

TO: HOUSE LOCAL GOVERNMENT COMMITTEE

FROM: WILLIE MARTIN
SEDGWICK COUNTY

REF: SENATE BILL 61

Mr. Chairman and members of the Committee, I am Willie Martin representing the Sedgwick County Board of Commissioners.

Sedgwick County supports legislation which will provide counties the authority to create Public Building Commissions (PBCs) in the same manner as statutes currently provide to cities.

The City of Wichita has a Public Building Commission and Sedgwick County has worked cooperatively with the City for it's effective use. There are counties however, where a PBC does not exist and where the use of a PBC could be the financing mechanism for needed facilities. Sedgwick County supports this legislation which would provide a flexible fiscal management tool for local government.

The changes in SB 61 do not create new authority, it only extends existing authority and grants counties the same financing options that have been afforded cities for some time.

We respectfully request your support of SB 61.

LM
3-20-89
Attach. II



"Service to County Government"

212 S. W. 7th Street
Topeka, Kansas 66603
(913) 233-2271
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NACo Representative
Joe McClure
Wabaunsee County Commissioner
(913) 499-5284

Executive Director
John T. Torbert

March 20, 1989

TESTIMONY

To: Representative R.D. Miller, Chairman
Members House Local Government Committee

From: Bev Bradley, Legislative Coordinator,
Kansas Association of Counties

Re: SB-61 An act relating to public building commissions

Thank you Mr. Chairman and members of the committee.

The Kansas Association of Counties supports granting the Board of County Commissioners the authority to create Public Building Commissions for counties consistent with the existing authority of cities. Public Building Commissions have the power to acquire building sites and construct, reconstruct, equip and furnish buildings or other facilities such as parking structures. PBCs can enter into leases with other governmental entities for facilities. The proceeds from the leases are used to retire bonds issued by the PBC for construction. PBCs provide a financing mechanism for building project (s) where the operating budget can pay lease costs but not the full cost of a new structure. Further the bonds issued by a PBC will generally receive lower interest than lease purchase arrangements.

This statement is a convention approved position, voted by our membership last November. KAC supports SB-61 so that counties may have the same options as cities currently have for using Public Building Commissions to finance public facilities.

TSBH LG20

24
3-20-89
Attach. XII