

MINUTES OF THE SENATE COMMITTEE ON LOCAL GOVERNMENT.

The meeting was called to order by Chairperson Mark Parkinson at 9:00 a.m. on March 14, 1995, in Room 531-N of the Capitol.

All members were present except:

Committee staff present: Mike Heim, Legislative Research Department
Theresa Kiernan, Revisor of Statutes
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Representative Carl Holmes
Jim Kaup, Shawnee County
Representative Richard Reinhardt
Bryan W. Coover, Neosho County
Hugo Spieker, Neosho County Commissioner
Robert McKinney, Neosho County Concerned Citizens
Norm Wilks, Kansas Association of School Boards
Dr. Ted Wischropp, Neosho County Community College
Ron Vratil, Barton County Community College
Ernie Mosher, City of Topeka
Harry Herington, League of Kansas Municipalities
David Furnas, Kansas Press Association

Others attending: See attached list

The Chairman began the meeting by announcing that consideration of the several repealer bills heard March 9 and continued to this date would be postponed until tomorrow due to the large number of conferees to be heard on bills scheduled for today.

HB 2066--Repealing K.S.A. 15-736, authorizing the issuance of certain general obligation bonds.

Ms. Kiernan explained that the bill repeals the statute that applies only to the City of Plains for bonds for road improvements. The statute is no longer needed as the bonds have been paid in full.

The sponsor of the bill, Representative Carl Holmes, testified in support. (Attachment 1)

Jim Kaup, representing Shawnee County, stood to request that the committee consider allowing Shawnee County to use this bill as a vehicle to solve a problem. There is no wish to jeopardize the bill. Shawnee County officials were present to explain the proposal. However, if Representative Holmes objects to so amending this bill, they will comply with his wishes. The Chairman stated that there are too many witnesses on other bills today, therefore, not enough time to hear the proposal. He added that there is a general feeling that attachments to bills should not be made this late in the process when it will not be possible for them to be heard by both houses. Mr. Kaup responded that perhaps this amendment could be amended into another bill and could be discussed at tomorrow's meeting. The Chairman was in agreement with this suggestion.

Senator Ramirez made a motion to report HB 2066 favorable for passage and that it be put on the Consent Calendar, Senator Reynolds seconded, and the motion carried.

HB 2063 [As Amended by House Committee of the Whole]--Concerning municipalities; relating to lease-purchase agreements entered into for the acquisition of land or building.

Ms. Kiernan explained that this bill amends the statutes regarding lease-purchase agreements. The protest-election provision would apply to land also. The bill concerns the authority of community colleges to enter

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON LOCAL GOVERNMENT, Room 531-N Statehouse, at 9:00 a.m. on March 14, 1995.

into lease-purchase agreements.

Representative Richard Reinhardt, sponsor of the bill, testified in support. (Attachments 2 and 3) He offered amendments to also include major renovations or remodeling.

Bryan Coover, Concerned Citizens of Neosho County, testified in support of **HB 2063**. (Attachment 4)

Hugo Spieker, Neosho County Commissioner, stood in support of the bill.

Robert McKinney, Neosho County Concerned Citizens, followed with further testimony in support of the bill. (Attachment 5)

Norm Wilks, Kansas Association of School Boards, testified in opposition to **HB 2063**. (Attachment 6) As to the House floor amendment, Mr. Wilks supports reinstating the stricken language to keep current law in effect.

Dr. Ted Wischropp, Neosho County Community College, testified further in opposition to the bill. (Attachment 7)

Ron Vratil, Barton County Community College, followed in opposition to the bill. (Attachment 8)

Ernie Mosher, representing the City of Topeka, related his concern to the committee that perhaps the floor amendment extending application to all municipalities would be unwise.

Harry Herington, League of Kansas Municipalities, submitted testimony in opposition to **HB 2063**. (Attachment 9) Due to the time limitation, consideration of the bill will continue at the next meeting.

Senator Bill Brady had submitted written testimony in support of **HB 2063**. (Attachment 10)

HB 2166--Concerning cities; relating to certain reports by the treasurer thereof.

Ms. Kiernan explained that this bill allows cities of the third class to report annually instead of quarterly as current law provides.

David Furnas, Kansas Press Association, testified in opposition to **HB 2166**. (Attachment 11)

Harry Herington, League of Kansas Municipalities, testified in support of **HB 2166**. (Attachment 12)

Representative Reinhardt, sponsor of the bill, testified in support. (Attachment 13)

There being no further time, the meeting was adjourned at 10:02 a.m. Consideration of bills not acted upon was continued until the next meeting.

The next meeting is scheduled for March 15, 1995.

LOCAL GOVERNMENT COMMITTEE GUEST LIST

DATE: MARCH 14 1995

NAME	REPRESENTING
Harry Heringer	League of KS Municipalities
DON COOPER	Shawnee County Commission
Marty Bloomquist	" " Financial Admin.
Norm Wicks	KASOB
Therese W. Wischnopp	Neosho County Community College
Paul Flowers	KS Assoc. of Counties
Byron W. Brown	Concerned Citizens of Neosho Co.
Robert McKinney	Concerned Citizens of Neosho Co.
Hugo Spieker	Neosho Co. Comm.
Randall Holmes	
MARY CRESON	Shawnee County
Carl Dean Holman	
Barbara Butts	Dept of Admin
Erica [unclear]	City of [unclear]
David Brant	Neosho Co. Comm College
Ra [unclear]	Barton County Comm College
Jim [unclear]	Barton Co. Comm College
Merle Hye	KS Comm. Community College
Kathryn Wischnopp	Neosho Co. Comm College

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HOUSE OF REPRESENTATIVES



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REPRESENTATIVE, 125TH DISTRICT
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MEMBER LOCAL GOVERNMENT
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Testimony presented to
Local Government Committee
concerning
House Bill 2066

Chairman Parkinson, and committee members, I appreciate the opportunity to testify before the Senate Local Government committee in support of House Bill 2066. The background and purpose of this bill is as follows:

- In 1981, I, as mayor of West Plains appeared before the legislature and requested K.S.A. 15-736. Plains was trying to get the city out of the mud by paving streets. Our bond limit was restricting the completion of this project.
- In 1982, the K.S.A. 15-736 was amended to correct an error in the original statute.
- The bonds are now paid in full and the city is completely debt free.
- Because of the increased valuation due to reappraisal in the late 1980's, this statute is no longer needed.
- I discussed this repealer with an official of Plains and they approve of the repeal.

I strongly recommend that we as legislators, besides passing new laws, must review existing statutes for cleanup and repeal statutes that are obsolete. House Bill 2066 is a part of that review.

I thank you for the opportunity to appear before this committee.

Chairman Parkinson, I stand for questions.

*Senate Local Gov't
3-14-95
Attachment 1*

TO: SENATE LOCAL GOVERNMENT
FROM: REP. RICHARD R. REINHARDT
RE: HB 2063

House Bill 2063 was introduced for the purpose of bringing community colleges under the same statutes as United School Districts, relating to lease purchase agreements.

The reason for this action was so major capital improvements with multi-year payments would be subject to a protest petition by the voters in the district.

This bill was amended on the floor of the House to eliminate the threshold of 3% of operating budget so that acquisition of any land or buildings would be subject to a protest petition.

Would suggest an amendment to include major renovation or remodeling to this provision as well.

I believe that this bill is very workable as is, but a small annual aggregate threshold could be amended in if the committee feels it is necessary.

I would ask for your favorable consideration.

Richard R. Reinhardt
District #8

*Senate Local Govt
3-14-95
Attachment 2*

SUMMARY OF LEASE-PURCHASE TRANSACTIONS
AS REPORTED IN THE 1995 BUDGETS

Equipment:

Number of Transactions	Range of Contract Amounts	Interest Rate	Term	Total Contract Amount
822	Up to \$99,999	Up to 28.29	11 mo - 10 yrs	\$ 25,873,313
158	100,000-999,999	Up to 19.232	1 - 15 yrs	35,465,426
<u>6</u>	over \$1,000,000	Up to 9.3	5 - 10 yrs	<u>7,698,366</u>
<u>986</u>	Total Equipment			<u>\$ 69,037,105</u>

Building:

96	\$6,000-3,866,996	3.86-18.8	1 - 20 yrs	\$ 48,987,793
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Land and Improvements:

25	\$7,000-7,245,000	5-12	4 - 20 yrs	\$ 16,123,525
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Other:

<u>60</u>	\$7,245-5,000,000	2.5 - 12.1	3 - 20 yrs	<u>53,651,566</u>
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<u>1,167</u>	Grand Total			<u>\$187,799,989</u>
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Senate Local Gov't
 3-14-95
 Attachment 3

March 14, 1995

Bryan W. Coover
Route 1, Box 26
Galesburg, Kansas 66740
Phone 316-763-2343

Testimony to the Senate Local Government Committee:

I come before you as a concerned citizen from Neosho County. I support the changes in statute as described by ammended HOUSE BILL NO 2063. My testimony to the House Education Committee is attached, which describes my reasoning for that support.

Since the time of that testimony two situations have been brought to my attention that further illustrate problems in the cash basis law.

Neosho County Community College currently has a lease on property at Ottawa where it operates acedemic and nursing college classes. This lease includes a clause that enables the NCCC to purchase the property at the end of the lease for a very small payment. I believe this constitutes a lease purchase or installment-payment purchase. As community colleges are currently exempt from cash bases law, 71-207, the contract was written so that all payments for 10 years had to be made. Statute specifically prohibits community colleges from purchasing property outside their districts. Since Ottawa is not in NCCC's district, NCCC will not be able to complete the deal at the end of 10 years. We have paid for it, we just can't legally own it. The logic expressed by their attorney and the bond council that wrote the lease is that no law has been violated as long as the

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Attachment 4

city of Ottawa never transfers the title. Cash Basis law currently has no legal definition as to what constitutes a lease purchase. Simply by calling it a lease NCCC has circumvented the intent of the law.

Hamilton County recently entered into a lease for 5 years to have a golf course. Kansas Statutes give the electorate the right to protest the purchase of a golf course 19-27,156 or recreational grounds 19-2801. By leasing ground to a developer and then leasing back the completed golf course, the Hamilton County commissioners have committed the taxpayers to paying for a recreational facility without the voters right to protest. At the end of 5 years, the county can purchase the golf course for \$10. By calling this a lease instead of a lease purchase, the above named statutes have been side-stepped.

Leases must be included in the cash basis law and definitions written and included in the law so that the obvious intent of these statutes is followed.

Sincerely,

Rayson W. Hoover

January 26, 1995

Bryan Coover
Rt. 1 Box 26
Galesburg, Ks. 66740
Phone 316-763-2327

Testimony to the House Education Committee:

I come before you as a concerned citizen from Neosho County. I believe the following reasons support the proposed changes to KSA 71-201.

Prior to the development of financial instruments such as Certificates of Participation, lease-purchases were primarily used to finance equipment and vehicles. Acquisition of land and improvements was done by capital outlay budgets or by municipal bonds. Both capital outlay budgets and bond issues are, by law subject to protest by the electorate. With the relatively recent development of COPs, the lease-purchase options of acquisition removes the electorates' right to protest major acquisitions.

Lease-purchase payments may be a general fund obligation, therefore the electorate may choose to protest the yearly budget. The circumstances will arise when the voters may decline to pay for what a board of trustees has had the legal ability to obligate. The attached excerpt from Neosho County Community College lease-purchase with the city of Ottawa, which is not located in Neosho County, shows that board's use of that ability.

Recently Neosho County Community College planned an expansion to existing campus buildings, which would be financed by a 20 year pay-out lease-purchase arrangement. Because KSA 71-201 specifies 10 years to be the maximum lease term, the last 10 years were to be added one year at a time, as the first 10 years were completed. Obligation for the last 10 years could not be written into the contract because of the 10 year limitation. Implied obligation is obvious when the options at the end of the first 10 years are realized; which are, make a balloon payment which the electorate may not approve, or, surrender the property, which in this case, is integrally attached to the college campus. As these options are exceedingly unpalatable, the 20 year duration is secured.

Supporting the proposed change would also restore an important part of the electorates' ability to provide an effective system of checks and balances. At the state and federal level, our democratic system provides for two houses in the legislature, and the executive's veto power to ensure moderation in the financial obligations that are undertaken. At the county level, only the right to protest protects that balance that we believe the law intends. This amendment restores the only system of checks and balances we have at the local level of government. Thankyou for your consideration to this important matter.

Sincerely,

Bryan W. Coover

CHAIRMAN PARKINSON AND COMMITTEE MEMBERS:

MY NAME IS ROBERT MCKINNEY AND I AM HERE REPRESENTING 750 NEOSHO COUNTY TAXPAYERS WHO SUPPORT HOUSE BILL 2063. WE ORIGINALLY BECAME CONCERNED WHEN OUR LOCAL COMMUNITY COLLEGE PROPOSED A 3.2 MILLION DOLLAR EXPANSION PROJECT WITH THE USE OF LEASE PURCHASE AGREEMENTS. AS WE SEE IT, THE INTENT OF THE LAW REGARDING LEASE OR LEASE PURCHASES WAS TO ALLOW MUNICIPALITIES TO ACQUIRE EQUIPMENT AND COMPUTERS, ETC., WITH LEASES. WE DO NOT FEEL, HOWEVER, THAT THE INTENT OF THE LAW WAS TO ALLOW THE PURCHASE OF LAND OR BUILDINGS WITH LONG TERM LEASES OR LEASE PURCHASES. BY USING THIS METHOD OF FINANCING THE MUNICIPALITIES CAN BYPASS THE LAW AND BYPASS THE VOTERS. WE FEEL THERE SHOULD BE SOME MEANS OF ACCOUNTABILITY TO THE TAXPAYERS. WE'VE SEEN THIS HAPPEN IN OUR COMMUNITY AND HAVE TALKED WITH OTHER COMMUNITIES THAT HAVE EXPERIENCED THE SAME PROBLEM.

THE CASH BASIS LAW STATES THAT MUNICIPALITIES CANNOT ENTER INTO AN AGREEMENT WITH AN ANNUAL PAYMENT LARGER THAN 3% OF THEIR BUDGET. MUNICIPALITIES SIDESTEP THIS LAW BY BREAKING DOWN LARGE PROJECTS INTO MULTIPLE PROJECTS OR LEASE PURCHASES WITH EACH PAYMENT FALLING BELOW THE 3% LIMIT AND AT THE SAME TIME ELIMINATING THE RIGHTS OF THE TAXPAYERS TO PROTEST.

WE ARE VERY CONCERNED WITH THE USE OF THESE LONG TERM FINANCING PLANS BECAUSE OF THE DANGER OF UNFORSEEN FUTURE

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Attachment 5*

EXPENSES OR REDUCTIONS IN STATE AID AT THE LOCAL LEVEL. WE ARE COMMITTED TO LARGE ANNUAL PAYMENTS FOR 10 YEARS, HOWEVER NO ONE CAN PREDICT THE ACTUAL INCOME OF A MUNICIPALITY THAT FAR INTO THE FUTURE. IF STATE AND FEDERAL AID WERE TO DECREASE, LOCAL MILL LEVIES WOULD HAVE TO INCREASE AT CATASTROPHIC RATES.

I DON'T BELIEVE TAXPAYERS WOULD GO TO THE TROUBLE TO COLLECT AND FILE A PETITION OF 5% OF THE VOTERS UNLESS THEIR WERE OBVIOUS PROBLEMS WITH THE PURCHASE IN QUESTION. IF THE MUNICIPALITIES ARE ACTING RESPONSIBLY AND DOING WHAT IS BEST FOR THE COMMUNITY, THESE LAWS WILL NOT AFFECT THEM. AS A TAXPAYER AND OFFICER OF THE NEOSHO COUNTY CONCERNED CITIZENS ASSOCIATION, I WOULD APPRECIATE YOUR SUPPORT OF THIS BILL AND ITS AMENDMENTS. I APPRECIATE YOUR TIME AND HOPE YOU CAN HELP US TO ELIMINATE THESE PROBLEMS WITH THE LAW.

RESPECTFULLY SUBMITTED,
ROBERT MCKINNEY
PRESIDENT
NEOSHO COUNTY CONCERNED
CITIZENS ASSOCIATION
CHANUTE, KANSAS
316-431-7258

Attention Rep Gene Shore.

Bill Brady

Reinhardt eyes 'loophole' legislation

Bill would apply to future purchase deals of colleges

By KRIS KNOWLES
Tribune Writer

State Rep. Richard Reinhardt said Thursday he will introduce legislation to close a loophole that is allowing Neosho County Community College to finance a \$3 million expansion project without a vote by county residents.

If approved, the legislation would apply to future lease-purchase deals of all community colleges, but it wouldn't apply to the current NCCC project.

The issue was discussed Thursday in a meeting between Reinhardt, State Sen. Bill Brady and NCCC board members and administrators.

NCCC officials expressed concern that the legislation could put a "stranglehold" on future college operations. They also expressed frustration about public opposition to their expansion plans.

Reinhardt's legislation would make community colleges subject to the same rules that apply to school districts when lease arrange-

Colleges seeking more aid from Legislature

Community colleges across the state are asking the Legislature for more state aid and permission to raise tuition rates.

Two area lawmakers offered differing views Thursday on the likelihood that those proposals will be approved in the upcoming legislative session.

Sen. Bill Brady, D-Parsons, said he was not optimistic.

"Community colleges are worse off today politically than they have been in the 14 years I've been (in the Legislature)," he said.

He said an influx of newly-elected conservatives into the House of Representatives won't help.

"I see our perception problem becoming worse," he said.

Brady said community colleges lack political power — their primary support comes from the lawmakers in the counties where the 19 colleges are located.

Rep. Richard Reinhart, D-Erie, said he is more

optimistic. He said lawmakers from counties that do not have community colleges "scream and hollar" about out-district tuition that counties pay when their residents attend community colleges.

"Out-district tuition is the carrot they want to eliminate," he said. "We can use that to our advantage."

Brady and Reinhardt shared their views during a luncheon meeting with board members and administrators of Neosho County Community College.

NCCC is among 19 community colleges that want the state to:

- ◆ Increase college aid from \$28 per credit hour to \$33.

- ◆ Increase aid for vocational courses from \$42 per hour to \$66.

- ◆ Eliminate the current tuition cap of \$27 per hour.

Brady and Reinhardt agreed that elimination of the tuition cap could be approved because it won't cost the state any money.

ments are used to finance purchases. According to NCCC financial adviser David Brant, a school district lease deal can be put to a public vote if the annual payment exceeds three percent of the district's budget.

The rule does not currently apply to community colleges. NCCC, for

example, is planning to finance its \$3 million project with a lease arrangement that will require annual payments of about \$350,000.

If the school district rule applied, residents would be able to use protest petitions to force a public vote on any NCCC project with lease payments greater than \$180,000 —

three percent of the school's \$6 million budget.

But NCCC officials said even if the rule was already in place, they would be able to finance their current project without a public vote. The three parts of the project could be financed separately, although at a slightly higher cost, to result in lease payments that would each fall below the three-percent limit.

5-3

THE CHANUTE TRIBUNE

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Stu Butcher, *Managing Editor*

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Brenda Peck, *Circulation Manager*

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Voters need input

A group of Neosho County residents is trying to stop Neosho County Community College from financing a \$3.27 million expansion without voter approval.

It won't be easy, since state law allows community colleges to use financing mechanisms that cannot be challenged by either a citizen petition or a public vote.

This is a particularly sensitive issue, since the NCCC Board of Trustees recently approved a budget that called for a 30 percent increase in the college mill levy. An eight-mill increase was approved, of which two mills will go towards financing part of the expansion project.

Any public agency, not just community colleges, needs to be prepared to convince taxpayers that they are spending their money wisely. That means educating the public on where their money will be going, and describing what kind of return voters will be getting for their investment in higher education.

The ultimate test of the agency's effectiveness at communicating these plans should be a public vote on major issues of indebtedness. Anything less is unfair to residents who are paying the agency's bills, and will be rightly viewed as an attempt to circumvent the public's wishes.

This basic premise is not limited to community colleges — it should be public policy followed

by any public entity with taxing authority.

We see that in practice now with Chanute USD-413. Members of the school board are trying to convince the public to approve a \$2.5 million bond issue at the polls this November. They are going to great lengths to invite public comment and explain the benefits of issuing bonds to finance school improvements.

But that practice does not have to be followed by NCCC. They are in the process of issuing "certificates of participation" without public approval.

We don't blame the NCCC board of trustees for making investments in our community college. We recognize board members are simply doing what they believe is best for the institution.

But we are against any attempt to fund projects worth millions of dollars in public money from county residents without voter approval. That is simply bad practice, and bad public policy.

In light of this public outcry, NCCC trustees should reconsider seeking these "certificates of participation," and allow Neosho County residents to have final approval over any major expansion plans.

Additionally, the Kansas Legislature should change any statutes that allow these types of funding mechanisms to exist.

— Tom Bell

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COP/Lease-Purchase Financing vs. General Obligation/Revenue Bonds

A Certificate of Participation (COP) financing works basically in the same way as a Lease-Purchase Financing. Because a COP financing is only obligated to provide funds to pay the lease in one year increments, it is considered to be a more risky investment vehicle than a general obligation or revenue bond. When the market evaluates a bond issue, this assumed risk is seen in higher interest rates (typically .25% higher per year than a general obligation bond), which can translate into several hundred thousand dollars over a 20 year bond issue. The actual underwriting of an issue could be higher also because the underwriter assumes more risk on the issue. Bond counsel and escrow agent/registrars fees could be slightly higher as well, depending upon the complexity of the legal requirements and frequency of payments received and disbursed. Other costs (bond printing, official statement printing, etc.) would remain the same as other bond issues.

The advantage to using a COP structure over a general obligation bond is that a vote of the affected residents is not necessary. The residents must still be informed that a lease is being considered and be allowed to attend at least one open meeting to discuss the issue. A general obligation bond, requiring a vote, is the least expensive method of financing. A revenue bond based on student fees would be the ideal solution since it would dedicate a stream of revenue to pay for the bond issues (meaning less interest cost).

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To <i>Bill Triplett</i>	Date	# of pages
Co./Dept.	From <i>Doug Stehl</i>	
Phone #	Co.	
Fax # <i>316-763-2296</i>	Phone #	
	Fax #	

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Member FDIC

NCCC expansion costs

All figures are estimates.

Rowland building

Classroom renovations	\$196,476	
Nursing renovations	\$210,000	
Heating & air conditioning	\$178,500	Lease financing
Equipment & furnishings	\$105,000	9 years @ 6.5%
Architect's fees	\$48,298	\$247,538 interest
Financing costs	\$14,726	
	\$753,000	

Student union

Addition, renovation, equipment & furnishings, and architect's fees	\$807,500	Bond financing
Financing, reserve costs	\$142,500	22 years @ 7.75%
	\$950,000	\$1,058,524 interest

Ottawa building

Addition, patio	\$189,800	Lease financing
Equipment & furnishings	\$61,290	7 years @ 6.5%
Financing costs	\$15,010	\$297,887 interest
	\$266,100	
Debt on Ottawa building	\$494,900	
TOTAL	\$2,464,000	333,650.00

NCCC Budget 6,000,000.00

3% of Budget 180,000.00

Total payment on this proposed expansion
333,650.00 Annually.



**Testimony on H.B. 2063
before the
Senate Committee on Local Government**

by

**Norm Wilks, Director of Labor Relations
Kansas Association of School Boards**

March 14, 1995

Mister Chairman and members of the Committee, on behalf of the unified school boards of education that are members of the Kansas Association of School Boards, we want to express our concern and opposition to H.B. 2063 in its current form.

Our concern is in lines 23 through 26 on page 1 of the bill. Our position is that the stricken language should be reinstated.

The existing law allows an exception for small projects to be completed without the notice requirements or protest petition.

School districts have had the option to use a lease purchase to finance buildings or land acquisition or to purchase outright from the capital outlay funds. The change made by the House of Representatives may increase the cost to remove the lease purchase as a viable option. Current law has allowed the board to use the most efficient form of funding.

We urge the committee to reinstate the language as provided in K.S.A. 10-1116c.

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Attachment 6*

SENATE COMMITTEE

March 14, 1995

Testimony by Dr. Ted Wischropp, President

Neosho County Community College, Chanute

HB 2063 curtails the ability of community colleges to respond to needs and to manage scarce resources so that each dollar spent obtains the greatest value. Locally elected boards of trustees are charged by statute with the management and control of each community college. This management responsibility includes the providing of facilities and equipment for all college programs in the most efficient and cost effective way.

In reality community colleges are expected to provide for Kansas citizens with no state assistance for capital expenditures. Unified school districts on general obligation bonds can receive dollar assistance based upon a wealth factor. USD 413 at Chanute was able to leverage 37% of its total bond issue from state monies on a recent bond election. However, for community colleges local property taxpayers and enrolled students through fee assessments must pay the tab for such capital expenditures.

Community colleges have been and must be responsive to local and service area training needs. Lag time must be kept at a minimum between defining needs and actual implementation of programs to meet those needs. Lease purchase agreements make it possible for boards of trustees to provide equipment and facilities in the shortest possible time frame. Delays either cripple or cause programs to fail.

Our board of trustees looked to find the most cost effective way to provide for three identified needs: (1) Ottawa campus expansion, (2) student union expansion, and (3) additional facilities to

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Attachment 7

upgrade technical programs on the Chanute campus. Additional space in Ottawa can be provided only through a lease agreement. By statute, community colleges cannot acquire ownership of real property outside the college district.

After careful study the board proposed to combine all three projects and apply the revenue currently in place for the current Ottawa lease, student generated revenues, and 2 mills from general fund monies to fund a lease purchase agreement. A lease purchase agreement seemed in the board's view the most efficient and cost effective way to go.

HB 2063 will result in higher costs for providing facilities and equipment and in further erosion in the ability of locally elected boards to do the job for which they are elected. Ironically, this bill will not provide relief to taxpayers. Costs will be higher when boards of trustees must choose more expensive means of financing improvements.

The Kansas system of community colleges has been a major player in the training and retraining of the workforce in Kansas. The economic development of this state is indebted to its community colleges for their major contribution which has benefited all areas of the state.

Placing an additional restriction on boards of trustees ability to use lease purchase agreements is not the answer. I hope that you will concur with my view and seek to address the broader question of equitable and adequate funding for the community colleges of this state.

While I oppose any change in the old statute, I am concerned about some of the language in the proposed statute. For example, on page 3 in line 6 and 7, I would like to see the words "...shall be in accord with the provisions of K.S.A. 10-1116b, and amendments thereto, and..." stricken. The line appears redundant.

Also on page 3 lines 18 through 22 would be much more clear if it read "...legislature. Except as provided in this subsection the provisions of the cash basis and budget laws shall not apply to any lease made under authority of this subsection in such a manner as to prevent the intention of this subsection from being made effective. This provision..." This would replace the sentence that begins "To the extent that" and ends with "control."

It is my understanding that you will also have an amendment that will require publication on all lease purchase agreements once aggregate of all lease purchases exceeds 3% of budget. I am in opposition to that amendment.

The original language of K.S.A. 10-1116c imposes a "per project or per lease" test to determine if a lease purchase agreement is subject to protest. Changing the test to an aggregate of all lease purchase payments during the year makes the use of lease purchase financing, even for small projects, subject to substantial delay by a small number of voters intent on blocking any land acquisition or building project.

Once a municipality has used lease purchase financing for a building project, any later project with overlapping terms, no matter how small, may be subject to delay and expense of a public vote. The purpose of the existing non-aggregate threshold is to allow the governing body to make responsible financial decisions on smaller projects without threat of petition drives which threaten the stability of the financing and cause delays. The best rule is to apply the 3% test to each lease purchase agreement separately. This way lease purchase financing can remain a viable financing option for smaller projects, and the larger projects will be subject to protest petition and resulting public vote.

Thank you for your time and attention.

To: Members of the Senate Committee on Local Government

From: Administration of Barton County Community College - Ron V

Date: March 14, 1995

I have come to address the membership regarding HB 2063, which seeks to amend K.S.A. 71-201 and K.S.A. 10-1116c, dealing with lease-purchase agreements in regard to community colleges of Kansas.

As you are aware, trustees of community colleges currently have the capability to authorize lease-purchase agreements for equipment, land, and buildings as the trustees deem worthy. The agreements, are subject to change or termination at any time by the legislature, and may only be projected to a maximum of a ten-year pay out according to comprehensive, strategic financial planning at the local level. For community colleges this process -- this capability -- has been sound and has been practiced for the betterment of these educational entities.

Proposed legislation would change the lease-purchase capability for community colleges; and, I believe, it would impose a burdensome constraint with regressive, binding, far-reaching negative results.

To explain, I begin by reminding our elected legislators of the strength that community colleges provide for cities and counties of Kansas. They not only provide educational opportunities for individuals of all ages; they also help promote economic development. The community colleges offer a defined curriculum and also respond to varying instructional and business needs, as appropriate to the local areas. They provide the best education for new and changing industry in Kansas.

One component of this response to local needs is the community college's ability to create, authorize, and carry out lease agreements for acquisitions which meet community needs. These expenditures include facility acquisitions and renovations, equipment, technology, and more. Any decisions for a lease-purchase involves a serious, accountable decision of trustees -- persons elected locally and entrusted with a governing responsibility.

Enactment of law regarding lease purchases which would enforce public presentation, rather than trustees' authorization, for payments valued at three percent (3%) of the operating budget -- or an aggregate of lease payments at a value of three percent (3%) -- would hinder the trustees' abilities to act in timely ways. Enactment of law defining "construction, reconstruction or substantial remodeling or renovation of buildings, or additions to buildings" would impose additional limitations. Time delays and publication restraints would often disallow affordable interest rates and would necessitate relinquishing opportunities which pass with time. Furthermore, it simply is an eroding of local governing capabilities of trustees. In addition, subjecting community colleges to

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K.S.A. 10-1116b would only add cost to an already efficient method of operation. Members of the Committee on Local Government, help keep local government operations viable for the sake of all Kansans. Allow the democratic process to work as it should: with elected trustees' decisions, and not with cumbersome public publications and elections.

Barton County Community College has been able to efficiently use lease-purchase agreements in the past to build an art gallery which will eventually be paid from the college foundation without using taxpayer funds. In addition a refunding issue has allowed the college to reduce its interest costs and use the cost reductions toward a needed building addition without increasing the local mill levy.

I come before you asking that you allow community colleges to continue issuing and fulfilling requirements of lease-purchase agreements within the existing K.S.A. 71-201. Know that local communities will be winners for your having allowed such. Let local community college trustees continue to have the flexibility they need in encouraging continued growth and success of community colleges and have the trust they deserve to make sound decisions.



**THE LEAGUE
OF KANSAS
MUNICIPALITIES**

**Municipal
Legislative
Testimony**

AN INSTRUMENTALITY OF KANSAS CITIES • 300 SW 8TH • TOPEKA, KS 66603 • (913) 354-9565 • FAX (913) 354-4186

TO: Senate Local Government Committee
FROM: Harry Herington, Associate General Counsel
DATE: March 14, 1995
RE: House Bill 2063 - Opponent

Good morning, my name is Harry Herington and I am the Associate General Counsel for the League of Kansas Municipalities. On behalf of the League of Kansas Municipalities and their 543 member cities, I would like to thank you for the opportunity to testify in opposition of House Bill No. 2063.

City governing bodies throughout Kansas are confused as to the reasons that House Bill No. 2063 was amended from its original form to specifically address municipalities. HB 2063 was originally drafted to address a specific problem that had been identified concerning community college lease-purchase agreements. Specifically, if community colleges entered into a lease-purchase agreement under the authority of K.S.A. 71-201, the agreement would not be subject to the conditions set forth in K.S.A. 10-1116c. It was the League's understanding that the intent of HB 2063 was to specifically require that community colleges follow the same guidelines that municipalities are required to follow and remove the exemption found in K.S.A. 71-201 (applicable only to community colleges). K.S.A. 10-1116c sets forth requirements that municipalities must follow if certain conditions are met and, to the best of our knowledge, this law has not been the subject of serious concern since its passage in 1990.

The amended version of HB 2063 places numerous restrictions and mandates on municipalities. Lease-purchase agreements are a vital financial practice that cities use frequently throughout Kansas. To suddenly change the requirements concerning this procedure without serious study and consideration would not be wise. The additional regulations that this bill would place on cities would be questionable if there had even been a minor problem identified that this bill was attempting to solve. However, as stated earlier, we are unaware of any problems with the current lease-purchase practices and do not agree with the concept the entire lease-purchase must be overhauled because there is a conflicting statute in Chapter 71 of the Kansas Statutes specifically concerning community colleges. If it isn't broke, don't tempt fate (and gamble with cities financial procedures throughout the State).

RECOMMENDATION: The league respectfully request that the Committee not pass favorably on HB 2063. Thank you.

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State of Kansas
Senate Chamber

BILL BRADY
SENATOR, FOURTEENTH DISTRICT
LABETTE & NEOSHO COUNTIES AND
PARTS OF CHEROKEE AND MONTGOMERY COUNTIES
319 CRESTVIEW
PARSONS, KANSAS 67357-3513
(316) 421-6281



COMMITTEES:
ELECTIONS
CONGRESSIONAL & LEGISLATIVE
APPORTIONMENT & GOVERNMENTAL
STANDARDS
JOINT COMMITTEE ON SPECIAL CLAIMS
AGAINST THE STATE
JUDICIARY
TRANSPORTATION & UTILITIES
WAYS AND MEANS

STATE CAPITOL
TOPEKA, KANSAS 66612-1504
913-296-7389

March 14, 1995

CHAIRMAN PARKINSON AND MEMBERS OF THE COMMITTEE:

I support HB2063. The intent of this legislation is to provide local people with an ability to vote on local governmental decisions involving the acquisition of land and buildings. A 5% protest petition provides the mechanism to allow for more scrutiny on the more controversial decisions.

A House floor amendment broadened the scope of the bill from community colleges to all local units. I ask for your favorable consideration of HB2063.

Senator Bill Brady,
Fourteenth District

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Kansas Press Association, Inc.

5423 SW 7th Street, Topeka, KS 66606 Phone 913-271-5304, Fax 913-271-7341

**Testimony submitted by
Kansas Press Association
on HB 2166
March 14, 1995**

Mr. Chairman and members of the committee, my name is David Furnas and I am the executive director of the Kansas Press Association, a trade association representing the 250 daily and weekly newspapers in Kansas.

House Bill 2166 was introduced in response to a situation where a local unit of government was breaking the law and when it was brought to its attention, asked that the law be changed.

Perhaps it is the fact that many members in the House are new and unfamiliar with the Home Rule provisions of the Kansas Constitution, but this bill -- which on the surface deals with only third class cities -- in fact would allow all classes of cities the power not to publish annual reports.

If that had been the intent of the House, why wouldn't the bill have been written giving all cities the option. It is apparent the House wanted second and first class cities to continue publishing the reports but were unaware the true impact HB 2166 would have under home rule.

Kansas Press Association is very concerned that the cities needing to publish financial reports will have the ability not to publish using their home rule powers. The press association believes cities -- all cities, first, second or third -- should publish their financial condition. If they can't afford to, maybe they shouldn't be cities -- with the power to tax people they don't want to inform.

We would recommend the bill not be passed.

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**THE LEAGUE
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**Municipal
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Testimony**

AN INSTRUMENTALITY OF KANSAS CITIES • 300 SW 8TH • TOPEKA, KS 66603 • (913) 354-9565 • FAX (913) 354-4186

TO: Senate Local Government Committee
FROM: Harry Herington, Associate General Counsel
DATE: March 14, 1995
RE: House Bill 2166 - Proponent

Good morning, my name is Harry Herington and I am the Associate General Counsel for the League of Kansas Municipalities. On behalf of the League of Kansas Municipalities, I would like to thank you for the opportunity to testify in support of the passage of House Bill 2166.

This bill recognizes the simple truth that cities of the third class are, by their very nature, smaller than those of the second or first class, thus having limited staff and resources. The League of Kansas Municipalities strongly believe that it would be in the best interests of those smaller cities to file yearly financial statements, rather than quarterly filings required under current law. This will not only save significant amounts of money for small cities which have to publish this information in the newspaper, but will also lessen the burden on city treasurers in cities of the third class, whose primary function is to sign checks issued by the city. We believe that this statute, and its recent enforcement by a single county attorney, is not in the best interest of cities of the third class. Further, since all of the information contained in these published reports, as well as most other financial records of cities, are open records under the Kansas Open Records Act, citizens of any Kansas city can obtain a copy of them by simply requesting a copy from the city.

We would therefore urge the Committee to favorably report HB 2166 in realization that it reflects the current status of many of our smaller cities and lessens a mandate placed upon them many years ago.

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STATE OF KANSAS



TOPEKA

HOUSE OF
REPRESENTATIVES

RICHARD R. REINHARDT
REPRESENTATIVE, 8TH DISTRICT
MOST OF NEOSHO COUNTY
AND PART OF ALLEN COUNTY
R. R. #1, BOX 118
ERIE, KANSAS 66733

COMMITTEE ASSIGNMENTS
MEMBER: AGRICULTURE
APPROPRIATIONS
LEGISLATIVE EDUCATIONAL PLANNING COMM.

TO: SENATE LOCAL GOVERNMENT COMMITTEE
FROM: REP. RICHARD R. REINHARDT
RE: HOUSE BILL 2166

It was brought to my attention that small cities with very small budgets are required to publish quarterly financial statements in an official newspaper.

I have also been told that few small towns comply with this law and it would seem to me to be an unnecessary expenditure.

Although this may be appropriate for larger cities, I would think in the case of small cities the financial statements published annually would be sufficient.

I thank you for your favorable consideration. I will be happy to answer any questions.

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