

Approved: 3/7/97
Date

MINUTES OF THE HOUSE COMMITTEE ON BUSINESS, COMMERCE & LABOR.

The meeting was called to order by Chairman Al Lane at 9:08 a.m. on February 11, 1997 in Room 526-S of the Capitol.

All members were present except: Rep. David Adkins - excused
Rep. William Mason - excused

Committee staff present: Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Bev Adams, Committee Secretary

Conferees appearing before the committee: Rep. Troy Findley
Barbara Huppee, Lawrence Housing Authority
Ed Miller, Atchison Housing Authority
Jai Johnson, Manhattan Housing Authority

Others attending: See attached list

The minutes of January 14-17 were passed out to the committee. They will be approved at the next meeting.

Chairman Lane made an announcement that the hearing on HB 2067 that was scheduled to be held today was canceled at the request of Don Rezac.

Hearing on:

HB 2026 - Municipal housing authorities; rental security deposits; interest.

Rep. Findley appeared as a proponent of the bill. It would amend current law by eliminating the requirement for municipal housing authorities to pay interest on security deposits due at the end of the tenancy held for tenants in municipally owned dwelling unit. (see Attachment 1) He ended his testimony by answering questions from the committee.

Barbara Huppee, Executive Director, Lawrence Housing Authority, testified that this law seems unfair as it only applies to public housing agencies. The biggest problems she has with the legislation now in place is that it applies only to public housing agencies and the rate of interest which is set at 5% a year. (see Attachment 2) She finished her testimony by answering questions.

Ed Miller, Atchison Housing Authority, agreed with most of what Ms. Huppee said. He stated that the 5% interest on deposits has cost him a lot of money, especially for renters who stayed only a short time. They are required to keep enough liquid assets to run their businesses for 90 days. They are also required by federal law to keep money in low risk accounts, thus none of his bank deposits earn as much as 5% interest. He concluded his testimony by answering questions from the committee.

Jai Johnson, Executive Director, Manhattan Housing Authority, appeared to offer her support of the testimony of Ms. Huppee and Mr. Miller.

No one else was present to testify for or against the bill and Chairman Lane closed the hearing on HB 2026.

The meeting was adjourned at 9:42 a.m.

The next meeting is scheduled for February 12, 1997.

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HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: FEDERAL & STATE AFFAIRS
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TAXATION

TESTIMONY IN SUPPORT OF HOUSE BILL 2026

Chairman Lane and members of the Business, Commerce & Labor Committee:

I greatly appreciate this opportunity to appear before you today to testify in support of HB 2026.

HB 2026 was introduced by members of the Douglas County Legislative Delegation at the request of Barbara Huppee, Director of the Lawrence Housing Authority.

HB 2026, if enacted, would amend current law by eliminating the requirement for municipal housing authorities to pay interest on security deposits due at the end of the tenancy held for tenants in municipally owned dwelling units.

HB 2026 seeks to treat Municipal Housing Authorities like private landlords, who are not subject to the same interest payment requirements on security deposits. In addition, proponents will underscore that the required rate of 5% is an even higher rate of interest than what is currently paid by many banks on savings accounts.

I have also attached a copy of the fiscal note for HB 2026. The fiscal note concludes there is no fiscal impact on state operations.

I appreciate Chairman Lane and this committee for scheduling this hearing on HB 2026, and would encourage favorable action on this bill.

Thank you and I would be pleased to stand for questions.

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& Labor Committee
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Attachment 1*

SUMMARY OF BARBARA HUPPEE
EXECUTIVE DIRECTOR, LAWRENCE HOUSING AUTHORITY
BEFORE THE HOUSE BUSINESS COMMERCE AND LABOR COMMITTEE
ON HOUSE BILL #2026
FEBRUARY 11, 1997

I want to thank Representatives Findley, Ballard, and Sloan for introducing this measure. This is the second year they have introduced it and third straight year in a row that its been introduced.

I have been the Executive Director of the Lawrence Housing Authority ten years. I have never understood the rational basis for the provision in the Residential Landlord Tenant Act (RLTA) that applied to public housing agencies (PHAs) only. In the beginning I considered the provision merely inequitable legislation based on the myth that PHAs are heavily subsidized agencies, well able to pay low income tenants interest on security deposits. I have always been curious about the basis for the provision especially given the fact that there are only 9,258 public housing units in the state out of 320,000 rental units. Beside public housing these 320,000 rental units include 20,029 federally subsidized private rental units that serve the exact population PHAs serve. These 20,029 units are subsidized under the federal Section 8 Tenant Based Assistance (TBA) program

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Attachment 2*

or Project 202s, 221D3s, 221D4s, or 336 programs. The landlords who own these units receive federal rent subsidies. Not included in this number are landlords who receive state HOME funds for tenant based assistance.

All these private landlords serve the same population as PHAs and in fact receive more rental income (the combination of subsidy and tenant share of rent) than PHAs. Yet they are not included in this provision. If the rational basis of the provision initially was to assist low income tenants living in federally subsidized housing, then there is a whole universe of private landlords that serve this population that enjoy federal subsidy that have been left out. Some of these landlords -- those who own 223D3 and D4 and 336 projects, are governed by federal regulations that stipulate that they must pay interest on tenant security deposits at the prevailing interest rate. However there are 7,050 Section 8 assisted units and more state HOME tenant based assisted units in the state that are not covered by this law or federal regulations. Again, these private landlords serve only the very low income, those at or below 50% of the medium income.

The real problem with this legislation however is that it

stipulates that PHAs must pay 5% per year on security deposits. Undoubtedly this provision goes back to the days before bank deregulation of the early eighties when banks were required to pay over 5% on passbook accounts. In 1982 the limitations on interest rates were removed and since then interest rates have been able to rise and fall with the market. The last time banks paid 5% interest on passbook accounts was October, 1991. The current interest rate on passbook accounts is 2.4%.

This in effect creates an unfunded mandate placing PHAs in the role of an investment fund. This is not reasonable or fair. Clearly, this legislation has not kept pace with the times.

I am not opposed to paying interest rates on security deposits. I am opposed, as you would be in your business, to paying 5% when banks are giving 2 1/4%.

If you are interesting in having landlords who rent to low income tenants, or all federally subsidized landlords, pay interest on security deposits, then this law should be greatly expanded. I can see no reason why PHAs should be singled out, nor is there any basis to set the provision at 5%.

I would ask that you either strike the provision altogether, or expand it to include all landlords regardless of what income population they serve, and to link the interest rate paid to the prevailing rate.

Thank you.