

Approved: 3/4/98 \_\_\_\_\_  
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on February 19, 1998 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department  
Russell Mills, Legislative Research Department  
April Holman, Legislative Research Department  
Norman Furse, Revisor of Statutes  
Michael Corrigan, Revisor of Statutes  
Judy Bromich, Administrative Assistant  
Ann Deitcher, Committee Secretary

Conferees appearing before the committee: John Houlihan, Director of Purchases, Dept. of Administration  
Johnny Williams, VP for Administration and Finance, Ft. Hays University  
Sue Ryan, Xerox  
Richard Rogenmoser, Martin Tractor  
Ann Hobart, IBM  
E. Dean Carlson, Secretary of Transportation  
Chris McKenzie, Exec. Director, League of Municipalities  
Terry Duvall, Public Service Exec. II, Kansas Water Office

Others attending: See attached list

**SB 456**                    **An act concerning criminal procedure; relating to aid to indigent defendants; claims for compensation by lawyers.**

**SB 456** is to be amended by adding the words "prior to" or "on that date", to enable the bills for payment to be presented early.

It was moved by Senator Morris and seconded by Senator Jordan that SB 456 be recommended favorably as amended. The motion carried on a roll call vote.

**SB 5**                        **An act concerning state agencies purchase of supplies, materials, equipment and services.**

Appearing before the Committee was John Houlihan, Director of Purchases, Department of Administration who spoke in support of SB 5. (Attachment 1).

In answer to what the objectives are with the passage of this bill, Mr. Houlihan said that it would mean decentralized purchasing, something that most states already have.

Johnny Williams, Vice President for Administration and Finance of Ft. Hays State University, spoke in support of SB 5. (Attachment 2).

Sue Ryan, of Xerox, appeared with other members of the Kansas Industry Procurement Council, Anne Hobart, of IBM and Richard Rogenmoser, of Martin Tractor, who each spoke in support of **SB 5**. (Attachments 3 and 4).

It was moved by Senator Ranson and seconded by Senator Salisbury that **SB 5** be recommended favorably for passage as amended. The motion carried on a roll call vote.

**SB 648**                      **An act creating KDOT Capital Enhancement Fund.**

E. Dean Carlson, Transportation Secretary, spoke in support of **SB 648**. (Attachment 5).

Senator Kerr asked if they would have any motivation to do these bonds unless Federal money was available.

Secretary Carlson said this would give Transportation the authority whether or not Federal money was available. It would also let them use their regular Federal funds to be put into this fund and it would give them flexibility they've not had in the past. He went on to say that the route that they use Federal funds on must be on the Federal Aid Eligible System.

Next to speak in support of **SB 648** was Chris McKenzie, Executive Director of League of Kansas Municipalities. (Attachment 6).

Senator Feleciano made the motion, seconded by Senator Morris that **SB 648** be recommended favorably for passage. The motion carried on a roll call vote.

**HB 2478**                      **An act relating to certain funds.**

Testifying in support of **HB 2478** was Terry Duvall, Public Service Executive II of the Kansas Water Office. (Attachment 7).

Ms Duvall explained that the bill simplified the calculation of interest on eight funds.

Senator Salmans moved and Senator Downey seconded that the **HB 2478** be recommended favorably for passage. The motion carried on a roll call vote.

The meeting was adjourned at 12:20 p.m.

The next meeting is scheduled for February 20, 1998.



# SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 2/19/98

NAME	REPRESENTING
Sue Ryan	XEROX and Kansas Industry Procurement Council
John Houlahan	D of A
Zes Vogel	D of A
Rogio Kogenmoe	MARTIN TRACTOR CO
Jerry Duwall	Ks Water Office
Robert Haley	KDOT
Bill Watts	KDOT
Dean Carlson	KDOT
Nancy Bogina	KDOT
Johnny Williams	FHSD and Regents Council of Br.
Rita Ken	KU
Theresa Klinkenberg	KU
Linda Hubbard	Ks Dept of Human Resources
Annette M Witt	KDFA
Trudy ARON	Am Inst of Architects
Chris McKinn	League of Ks. Muncip.
Bob Corkins	KCCI
Asimley Shevard	Overland Park Chamber

Procurement

off



**DEPARTMENT OF ADMINISTRATION**  
Division of Purchases

**BILL GRAVES**  
*Governor*

**DAN STANLEY**  
*Secretary of Administration*

**JOHN T. HOULIHAN**  
*Director of Purchases*  
900 S.W. Jackson, Room 102-N  
Landon State Office Building  
Topeka, KS 66612-1286  
(785) 296-2376  
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**SENATE WAYS AND MEANS COMMITTEE**  
**TESTIMONY**  
**SENATE BILL NO. 5**  
**FEBRUARY 19, 1998**

Presented by John T. Houlihan  
Director of Purchases

Mr. Chairman and members of the committee. I am John Houlihan, Director of Purchases. Thank you for the opportunity to speak on behalf of the Department of Administration in support of Senate Bill No 5.

The purpose of Senate Bill No.5 is to amend K.S.A. 75-3739, the competitive bid statute, which has been changed little since 1953. These changes will allow the Division of Purchases to be more responsive to the needs of state agencies and the vendor community. This bill is essentially the same as Senate Bill No. 402 which was passed by the 1996 Legislature, but vetoed by the Governor because of an unacceptable amendment added by the House of Representatives. Senate Bill No.5 will allow the following:

1. With the approval of the Secretary of Administration, the Director of Purchases may delegate authority to any state agency to make purchases of less than \$25,000 under certain prescribed conditions and procedures.
2. Allow all purchases estimated to be less than \$25,000 be made after the receipt of bid solicitations by telephone, telephone facsimile or after receipt of sealed bids following at least three days' notice posted on a public bulletin board.
3. Permit purchases estimated to exceed approximately \$25,000 but not more than \$50,000 be made after receipt of sealed bids and at least three days' notice posted on a public bulletin board.

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Attachment 1-1

4. Allow all purchases estimated to exceed \$50,000 be made after receipt of sealed bids and notice published once in the Kansas Register not less than 10 days before date of bid opening.

5. Let the Director of Purchases obtain goods and services without competitive bids: when compatibility with existing contractual services, supplies, materials or equipment is the overriding consideration, when a used item becomes available and is subject to immediate sale, or when in the judgment of the Director of Purchases and the head of the acquiring state agency, not seeking competitive bids is in the best interests of the state. All procurements of this type that exceed \$5,000 shall be reported quarterly to the Chairperson of the House Appropriations Committee, the Senate Ways and Means Committee, and the Legislative Coordinating Council.

6. Permit the Director of Purchases to determine the procedures for purchases estimated to be less than \$5,000.

7. Permit state agencies to contract directly for goods and services with other state agencies, or with federal agencies, political subdivisions of Kansas, agencies of other states or subdivisions, or private nonprofit educational institutions without obtaining permission from the Director of Purchases or seeking competitive bids.

8. Allow the Director of Purchases to sponsor, conduct, or administer a cooperative purchase agreement or consortium for purchases of supplies, materials, equipment or contractual services.

9. Delegate authority to any state agency to make purchases under certain prescribed conditions and procedures when the acquisition is funded, in whole or in part, from a grant. As used in this bill, a grant means a disbursement made from federal or private funds, or a combination of these sources, to a state agency.

None of these changes will have a fiscal impact on the Division of Purchases, but they will allow the division to operate in a more efficient manner and be more responsive to the needs of the state agencies and the vendor community.

This concludes my prepared testimony, are there any questions?

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Attachment 1-2

**SENATE WAYS AND MEANS COMMITTEE**

**TESTIMONY OF SENATE BILL 5**

**February 19, 1998**

**Presented by  
Johnny Williams  
Vice-President For Administration and Finance  
Fort Hays State University**

Mr. Chairman and members of the Committee, I appreciate the opportunity to represent the Regents Council of Business Officers in expressing support for Senate Bill 5. This bill allows for greater flexibility for the Director of Purchases to expedite purchases and create efficiencies and savings, not only for the Division but also for the Regents institutions. For example, Section 1.(i) permits the Director to use consortium purchasing that should result in cost savings to the institutions and the State. Section 1.(e) would permit further delegation of purchase authority to Regents institutions that meet the criteria prescribed by the Director. Section 1.(a)(5) supports the Director in purchasing equipment that must be compatible with existing systems or configurations, which is important as the Regents institutions continue to update information systems. Section 1.(j) allows the Director to delegate purchase authority to state agencies making purchases from federal or private funds. This will provide the institutions with additional purchasing flexibility in the area of research.

The Regents Council of Business Officers acknowledges the need for proper accountability and responsibility and believes that Senate Bill 5 has appropriate safeguards built in to ensure accountability from the Director of Purchases and those agencies to whom the Director delegates local authority. The Council urges the Committee's support of Senate Bill 5.

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2/19/98  
Attachment 2*

TO: Senate Ways and Means Committee  
FROM: Kansas Industry Procurement Council  
RE: Senate Bill Number 5  
DATE: February 19, 1998

- Following is a list of the companies that are part of the Kansas Industry Procurement Council:
  - ◆ IBM
  - ◆ Martin Tractor - Caterpillar
  - ◆ Southwestern Bell
  - ◆ Compaq
  - ◆ Lucent Technologies
  - ◆ Xerox
  - ◆ Hewlett Packard
  - ◆ AT&T
  
- The Kansas Industry Procurement Council came together as an organization to share information regarding doing business in the State of Kansas.
  
- We examined other states and shared best practices between our organizations.
  
- **Our recommendation as a council is that procurement reform is necessary and in the best interest of the citizens of the State of Kansas.**
  
- Procurement reform would result in economic growth and employment of our companies in the State of Kansas
  
- Citizens in the State of Kansas would enjoy best value for their tax dollars.
  
- **The Kansas Industry Procurement Council supports and requests your approval of Senate Bill Number 5.**

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Attachment 3



Lind, Chair  
Lundby  
Halvorson

SSB 21  
State Government

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED DEPARTMENT OF  
GENERAL SERVICES BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the administration of state government, by  
2 providing for the practices of the department of general  
3 services, state procurement, motor vehicles, and state  
4 printing.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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Attachment 4-1

1 Section 1. Section 2B.1, subsection 3, Code 1997, is  
2 amended to read as follows:

3 3. The Iowa Code and administrative code divisions are  
4 responsible for the editing, compiling, and proofreading of  
5 the publications they prepare, as provided in this chapter and  
6 ~~notwithstanding section 18-76~~. The Iowa Code division is  
7 entitled to the temporary possession of the original enrolled  
8 Acts and resolutions as necessary to prepare them for  
9 publication.

10 Sec. 2. Section 18.1, subsection 2, Code 1997, is amended  
11 to read as follows:

12 2. "Competitive bidding procedures procedure" means the  
13 advertisement for, solicitation of, or the procurement of  
14 bids; the manner and condition in which bids are received; and  
15 the procedure by which bids are opened, accessed, accepted, or  
16 rejected, or awarded. A "competitive bidding procedure" may  
17 include a transaction accomplished in an electronic format.

18 Sec. 3. Section 18.3, Code 1997, is amended by adding the  
19 following new subsections:

20 NEW SUBSECTION. 10. Developing and implementing  
21 procedures to conduct transactions, including purchasing,  
22 authorized by this chapter in an electronic format to the  
23 extent determined appropriate by the department. The  
24 department shall adopt rules establishing criteria for  
25 competitive bidding procedures involving transactions in an  
26 electronic format, including criteria for accepting or  
27 rejecting bids which are electronically transmitted to the  
28 department, and for establishing with reasonable assurance the  
29 authenticity of the bid and the bidder's identity.

30 NEW SUBSECTION. 11. Insuring motor vehicles owned by the  
31 state. Insurance coverage may be provided through a self-  
32 insurance program administered by the department or purchased  
33 from an insurer. If the department utilizes a self-insurance  
34 program, the department shall maintain loss and exposure data  
35 for vehicles under the jurisdiction of the state fleet

1 administrator. Upon request, state agencies shall provide all  
2 loss and exposure information to the department.

3 NEW SUBSECTION. 12. Organizing the department by  
4 divisions or other subunits to promote the effective and  
5 efficient administration of the department.

6 Sec. 4. Section 18.6, subsections 2, 3, 4, and 9, Code  
7 1997, are amended to read as follows:

8 2. The director may also exempt the purchase of an item or  
9 service from a competitive bidding procedure when the director  
10 determines that the best interests of the state will be served  
11 due-to-an by the exemption which shall be based on one of the  
12 following:

13 a. An immediate or emergency need existing for the item or  
14 service.

15 b. A need to protect the health, safety, or welfare of  
16 persons occupying or visiting a public improvement or property  
17 located adjacent to the public improvement.

18 c. An opportunity to procure an item or service in another  
19 reasonable manner.

20 3. The director shall have the power to contract for the  
21 purchase of items or services by the department. ~~Contracts~~  
22 ~~for-the-purchase-of-items-shall-be-awarded-on-the-basis-of-the~~  
23 ~~lowest-competent-bid.--Contracts~~ In awarding a contract, the  
24 director may consider the price of the item or service, the  
25 bidder's competence, the bidder's specialized expertise, the  
26 quality of the item or service, and any other-factors that the  
27 director determines are relevant and that are included in the  
28 bid specifications. Notwithstanding section 72.3, in any  
29 procurement made under this chapter, the director, following  
30 the submittal and evaluation of bids, may enter into best and  
31 final offer negotiations with qualified bidders as provided in  
32 the bid specifications in order to obtain the lowest price  
33 possible for the item or service. A contract which is not  
34 based on a competitive bidding procedure shall be awarded on  
35 the basis of bidder a bidder's competence and-reasonable, the

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1 reasonableness of the price, and any other factors that the  
2 director determines are relevant.

3 The director may enter into an agreement with the  
4 government of another state or with the federal government to  
5 provide for the cooperative purchase of an item or service of  
6 general use in this state.

7 4. The director may refuse all bids on any item or service  
8 and institute a new bidding procedure.

9 9. a. When the estimated total cost of construction,  
10 erection, demolition, alteration, or repair of a public  
11 improvement exceeds twenty-five thousand dollars, the  
12 department shall advertise for bids on the proposed  
13 improvement by publishing the advertisement either in an  
14 electronic or print format. If the advertisement is published  
15 in an electronic format, it shall be accessible at least  
16 fifteen days prior to the date set for receiving bids. If the  
17 advertisement is published in a print format, it shall be in  
18 two publications in a newspaper published in the county in  
19 which the work is to be done. The first advertisement for  
20 bids appearing in a newspaper shall be not less than fifteen  
21 days prior to the date set for receiving bids. The

22 b. In awarding a contract, the department shall-let-the  
23 work-to-the-lowest-responsible-bidder-submitting-a-sealed  
24 proposal may consider the price bid, the bidder's competence,  
25 the bidder's specialized expertise, the quality of the item or  
26 service to be provided, and any other factors that the  
27 director determines are relevant and that are included in the  
28 bid specifications. However, if the department considers the  
29 bids received not to be acceptable, all bids may be rejected  
30 and new bids requested. A bid shall be accompanied ~~7-in-a~~  
31 ~~separate-envelope7~~ by a ~~deposit-of-money-or-a~~ certified check  
32 or ~~credit-union-certified-share-draft~~ bid bond in an amount to  
33 be-named designated in the advertisement for bids as security  
34 that the bidder will enter into a contract for the doing of  
35 the work requested. The department shall ~~fix~~ establish the

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1 bid security in an amount equal to at least five percent, but  
2 not more than ten percent of the estimated total cost of the  
3 work. The certified checks~~7-share-drafts~~ or deposits-of-money  
4 bid bonds of the unsuccessful bidders shall be returned as  
5 soon as the successful bidder is determined~~7-and-the~~. The  
6 certified check~~7-share-draft~~ or deposit-of-money bid bond of  
7 the successful bidder shall be returned upon execution of the  
8 contract documents. This section does not apply to the  
9 construction, erection, demolition, alteration, or repair of a  
10 public improvement when the contracting procedure for the  
11 ~~doing-of~~ the work requested is otherwise provided for in  
12 ~~another-provision-of~~ law.

13 Sec. 5. Section 18.6, subsection 12, Code 1997, is amended  
14 by striking the subsection.

15 Sec. 6. Section 18.8, unnumbered paragraph 1, Code 1997,  
16 is amended to read as follows:

17 The director shall provide necessary ~~voice-or-data~~  
18 ~~communications~~~~7-including-telephone-and-telegraph~~  
19 telecommunications cabling, lighting, fuel, and water services  
20 for the state buildings and grounds located at the seat of  
21 government, except the buildings and grounds referred to in  
22 section 216B.3, subsection 6.

23 Sec. 7. Section 18.12, subsection 8, Code 1997, is amended  
24 by adding the following new paragraph:

25 NEW PARAGRAPH. c. The director may dispose of presses,  
26 printing equipment, printing supplies, and other machinery or  
27 equipment used in the printing operation, as provided in  
28 section 18.59.

29 Sec. 8. Section 18.12, subsection 9, Code 1997, is amended  
30 to read as follows:

31 9. a. Lease all buildings and office space necessary to  
32 carry out the provisions of this chapter or necessary for the  
33 proper functioning of any state agency at the seat of  
34 government, with the approval of the executive council if no  
35 specific appropriation has been made. The cost of any lease



KANSAS DEPARTMENT OF TRANSPORTATION

E. Dean Carlson  
Secretary of Transportation

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Bill Graves  
Governor of Kansas

TESTIMONY BEFORE THE  
SENATE WAYS AND MEANS COMMITTEE

Regarding Senate Bill 648  
An Act Creating the Transportation Capital Enhancement Fund

February 19, 1998

Mr. Chairman and Committee Members:

I am E. Dean Carlson, Secretary of the Kansas Department of Transportation. I am pleased to testify in support of Senate Bill 648 that creates the Transportation Capital Enhancement Fund.

**CONCEPT OF A TRANSPORTATION CAPITAL ENHANCEMENT FUND**

A Transportation Capital Enhancement Fund is a tool that can be used by cities, counties, and others involved in transportation to lower the costs of transportation projects at little or no cost or risk to the State. It is enabling legislation that would allow us to join at least 43 other states that have set up similar funds.

**Permissive.** The proposed legislation is permissive. It can be used when it is beneficial to all parties. It does not have to be used if all parties do not perceive it to be beneficial.

**Supplemental.** The proposed Transportation Capital Enhancement Fund is a supplement to the existing federal and state transportation aid programs and does not replace them.

**Not a Permanent Solution.** A tourniquet is intended to stop severe bleeding but it is not a permanent cure for the injury. The proposed Transportation Capital Enhancement Fund is similar to a tourniquet in that it is designed to provide quick

assistance to cities and counties. It is not a substitute for the Comprehensive Transportation Program that we expect to be considered next year.

**Historical Perspective.** The proposed legislation is a concept popularized by the Federal Highway Administration as part of a Federal effort to increase transportation investment at the state level. The federal effort is commonly referred to as State Infrastructure Banks. State Infrastructure Banks or the Transportation Capital Enhancement Fund are intended to give states flexibility and encourage transportation innovation and investment. There are at least 43 states that have State Infrastructure Banks that have been approved by the U.S. Department of Transportation or are in the process of developing a State Infrastructure Bank.

The concept is not new to Kansas. In 1983 and again in 1989, the Kansas Legislature increased the viability of the Mid-States Port Authority by providing that the State Highway Fund would enhance the credit of certain Mid-States Port Authority bonds by guaranteeing bond payment subject to certain limitations. KDOT and the Mid-State Port Authority were able to establish a mutually beneficial relationship.

Kansas has also established two programs in the environmental area that are similar. In 1988, the Kansas Legislature established the Kansas Water Pollution Control Revolving Fund. In 1994, The Kansas Legislature established the Kansas Public Water Supply Project Loan Program.

#### TYPES OF ASSISTANCE

The Transportation Capital Enhancement Fund is structured so that it can offer loans and credit enhancements to a wide variety of transportation projects. The Transportation Capital Enhancement Fund will complement the traditional highway and transit programs by supporting projects that local governments or transportation providers need to finance with debt.

The assistance may be in the form of loans, credit enhancements, or any mutually beneficial arrangement. As loans are repaid or the financial exposure implied by a credit enhancement expires, the Transportation Capital Enhancement Fund's initial capital is replenished and it can support a new cycle of projects.

**Direct Loans.** There are many examples of how a Transportation Capital Enhancement Fund could provide assistance. One approach would be a direct loan. The Arizona State Infrastructure Bank will loan Maricopa County, Avondale City, and a developer \$6 million to build a bridge and provide access to a sports facility. The Oklahoma State Infrastructure Bank will provide loans to local governments to enable them to address problems with at-grade railroad crossings.

**Credit Enhancements.** Another approach would be to provide credit enhancement. We have already discussed the Mid-States Port Authority loan guarantee.

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Since KDOT assumed the default risk, KDOT purchased the bonds through a negotiated sale. This saved the Mid-States Port Authority a significant amount of interest and provided a good return to KDOT.

Another approach to credit enhancement is illustrated by the loan by the Missouri State Infrastructure Bank to the City of St. Louis to establish a debt reserve fund to lower the cost of financing the Gateway Multimodal Transportation Center.

**Pooling of Debt.** Another form of assistance would be to pool the debt issues of several cities and counties. The combined issue would make use of the credit quality of the Transportation Capital Enhancement Fund and economies of scale to reduce the cost of debt to the individual cities and counties. This approach has been used successfully in Kansas with the water loan programs.

## INITIAL CAPITALIZATION

In order for the Transportation Capital Enhancement Fund to be able to provide assistance adequate initial capitalization must be provided. There are three sources of capitalization envisioned in this legislation.

**Transfer of Funds.** First, the Secretary would be authorized to transfer funds between the State Highway Fund and the Transportation Capital Enhancement Fund. The magnitude and timing of the transfers will have to be determined based on demand for assistance and the ability of the State Highway Fund to support the Transportation Capital Enhancement Fund.

**Authority to Issue Bonds.** The proposed legislation would authorize the issuance of up to \$50 million of bonds to be repaid by the State Highway Fund. Bonds would not be sold until it was determined that the capitalization would be required.

**Federal Aid.** While the provisions of the federal legislation that will be finally adopted are unknown, the Administration's proposal provides \$150 million to be distributed among the states that have approved Transportation Capital Enhancement Funds to assist with their capitalization.

## SECURITY

While it is very unlikely that a Kansas community or transportation provider would default, it is necessary in order to preserve the Transportation Capital Enhancement Fund and its credit rating to make sure that the State can recover its loans. One way to accomplish this would be for the local units to pledge their share of the Special City and County Highway Fund or other stable revenue streams.

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Attachment 5-3



## ADMINISTRATION

**Selection of Projects.** In the past the Legislature has required that projects be selected based on an established process. The proposed legislation would require the development of a selection procedure for projects to be assisted.

**Administration of Assistance.** The Kansas Department of Transportation envisions that the Transportation Capital Enhancement Fund would be administered with the assistance of the Kansas Development Finance Authority. The Kansas Development Finance Authority has experience of the water loan programs.

**Authority to Charge Fees.** The proposed legislation allows KDOT to charge for services provided.

## FEDERAL AID IMPLICATIONS

Traditionally KDOT does not receive federal aid until the state has incurred an obligation and the money is ready to be distributed. Under the Administration's proposal and the Senate's version, federal aid (subject to certain limitations) could be processed through the Transportation Capital Enhancement Fund. The funds would be available to the state to invest when the loan was made to the State Highway Fund. This could result in approximately \$300,000 in interest earnings a year.

## IN CONCLUSION

This bill provides a way of addressing local and other transportation needs which will benefit the State. This bill is not a substitute for a new transportation bill.

I hope that the committee will take favorable action on this bill. I will be happy to answer any questions that the committee might have.

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Attachment 5-4



**League  
of Kansas  
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3896 (785) 354-9565 FAX (785) 354-4186

**TO:** Senate Ways and Means Committee  
**FROM:**  Chris McKenzie, Executive Director  
**DATE:** February 19, 1998  
**SUBJECT:** Support for SB 648

Thank you for the opportunity to appear today in support of SB 648 on behalf of the 530 member cities of the League of Kansas Municipalities. The concept underlying SB 648 is similar to the previously established revolving loan programs for municipal water and wastewater systems. These programs have made low interest loans available to cities and rural water districts, saving their ratepayers considerable interest and other bond related costs. Cities of all population sizes will benefit from this legislation. We urge your support of this important bill.

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*2/19/98*

*Attachment 6*

STATE OF KANSAS



Bill Graves, Governor

KANSAS WATER OFFICE  
Al LeDoux  
Director

Suite 300  
109 SW Ninth  
Topeka, Kansas 66612-1249

**Testimony of Terry Duvall, Public Service Executive II**  
**Kansas Water Office**  
**Before the**  
**Senate Ways and Means Committee**  
**Regarding House Bill 2478**  
**February 19, 1998**

785-296-3185  
FAX 785-296-0878  
TTY 785-296-6604

Thank you , committee chairperson and members of the committee, for the opportunity to testify in support of House Bill 2478. My name is Terry Duvall and I am responsible for administering the Water Marketing and Water Assurance programs for the Kansas Water Office.

House Bill 2478 would amend various statutes relating to the calculation of interest earnings on idle funds. Two of the eight funds targeted by this bill are administered by the Kansas Water Office: the Water Supply Storage Assurance Fund and the Water Supply Storage Acquisition Financing Fund. While we certainly support this effort to standardize the method of calculating interest on idle funds, we also would like to see this method applied to other areas of interest calculations relating to programs administered by the Kansas Water Office.

In particular, the State Conservation Storage Water Supply Fund in K.S.A. 82a-1315b is an interest bearing account. It is a savings account, created from revenue from purchasers in the State Water Marketing Program to be used "solely" for the purpose of acquisition or development of conservation storage water supply in impoundments deemed necessary to implement the State Water Plan.

K.S.A. 82a-1306 involves the calculation of a surcharge to purchasers under the Water Marketing Program which includes interest.

K.S.A. 82a-1308a contains the rate setting formula for the Water Marketing Program. One component of the rate involves an interest calculation to be charged through the annual rate.

K.S.A. 82a-1370 involves interest to be charged by the Pooled Money Investment Board (PMIB) on loans to purchase additional storage space.

Including these additional references to a standardized interest calculation, would avoid confusion and possible miscalculation of charges to customers of the Water Marketing and Water Assurance programs. Your favorable consideration of our request to add these statutes to the provisions in House Bill 2478 is appreciated.

Proposed specific language for these statutes is attached.

If you have questions regarding this request, I will be happy to respond.

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Attachment 7

## ATTACHMENT

K.S.A. 82a-1315b(c) The State conservation storage water supply fund shall serve in part as a savings fund to further the purpose of this act and the fund shall retain all interest earned thereon. *Interest earnings shall be based on (1) The average daily balance of moneys in the state conservation storage water supply fund for the preceding month, and (2) the net earnings rate for the pooled money investment portfolio for the preceding month.*

K.S.A. 82a-1306(a)(2) ...plus, the remaining 50% of the water reserved under contract for that year, an amount as interest computed at a rate per annum equal to the average rate of interest earned the past calendar year on ~~repurchase agreements of less than 30 days' duration entered into by the pooled money investment board~~ *the net earnings rate for the pooled money investment portfolio for the preceding year...*

K.S.A. 82a-1308a(2) an amount as interest computed at a rate per annum equal to the average rate of interest earned the preceding calendar year on ~~repurchase agreements of less than 30 days' duration entered into by the pooled money investment board~~ *the net earnings rate for the pooled money investment portfolio for the preceding year...*

K.S.A. 82a-1370(d)(2) the average interest rate *based on* ~~repurchase agreements of less than 30 days' duration entered into by the pooled money investment board~~ *the net earnings rate for the pooled money investment portfolio* for that period of time.