

Approved:
Date: April 5, 2002

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Sandy Praeger at 1:00 a.m. on April 3, 2002 in Room 234 N of the Capitol.

All members were present except:

Committee staff present: Dr. Bill Wolff, Kansas Legislative Research Department
JoAnn Bunten, Committee Secretary

Conferees appearing before the committee:

Mark Tomb, Leagues of Kansas Municipalities

Others attending: See attached list.

Hearing on HB 2947 - Maximum interest rate for municipal bonds

Mark Tomb, League of Kansas Municipalities, testified before the Committee in support of **HB 2947** which provides a technical amendment to K.S.A. 10-1009 that establishes the maximum rate of interest on Kansas municipal bonds. Mr. Tomb noted that current law sets the maximum rate of interest on municipal bonds at a rate of the 30-year treasury bond plus 2%. He noted that the federal government stopped selling 30-year treasury bonds in late 2001. Rates for the 30-year bonds are still being published by *The Bond Buyer*, but since the government no longer sells these items, it is unclear as to how long these rates will continue to be published. **HB 2947** would replace the 30-year treasury bond reference with the more commonly used 10-year treasury bond rate. (Attachment 1)

Mr. Tomb also provided written testimony in support of the bill from Randy Irey, Gilmore & Bell, Kansas City, Missouri. (Attachment 2)

There were no opponents to the bill.

After Committee discussion on **HB 2947**, the Chair asked for the Committee's consideration of the bill.

Senator Teichman made a motion the Committee recommend **HB 2947** favorable for passage, seconded by Senator Corbin. The motion carried.

Approval of Committee minutes

Senator Corbin made a motion to approve the Committee minutes of March 26, 27, 28, 2002, seconded by Senator Teichman. The motion carried.

Adjournment

The meeting was adjourned at 1:20 p.m.



League of Kansas Municipalities

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To: Senate Financial Institutions and Insurance Committee
From: Mark Tomb, LKM
Date: April 3, 2002
Re: Support for HB 2947

Thank you for allowing me to appear on behalf of the League of Kansas Municipalities and our member cities. We appear today in support of HB 2947 which corrects a potential problem dealing with the calculation of maximum interest rates for municipal bonds.

Current law (K.S.A. 10-1009) sets the maximum rate of interest on municipal bonds at a rate of the 30-year treasury bond plus 2%. This legislation is needed because the federal government stopped selling 30-year treasury bonds in late 2001. Rates for the 30-year bonds are still being published by *The Bond Buyer*, but since the government no longer sells these items it is unclear as to how long these rates will continue to be published.

It is the desire of this legislation to replace the 30-year treasury bond reference with the more commonly used 10-year treasury bond. To achieve this goal, minor adjustments are made to achieve a similar maximum level of interest and to recognize the difference between interest rates for taxable and tax-exempt bonds.

Current law: Rate of the 30-year treasury bond + 2%

HB 2947: Rate of the 10-year treasury bond + 3% (tax-exempt)
Rate of the 10-year treasury bond + 4% (taxable)

Again, thank you for allowing LKM to comment on this proposed legislation. I would be happy to stand for questions.

GILMORE & BELL

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April 3, 2002

To: Ms. Sandy Praeger
Chairperson - Kansas Senate Financial Institutions and Insurance Committee

From: Randy Irely
Gilmore & Bell, P.C.

Re: House Bill 2947

House Bill 2947 (the "Bill") provides a technical amendment to K.S.A. 10-1009 which establishes the maximum rate of interest on Kansas municipal bonds.

BACKGROUND

- Currently, the maximum rate of interest on Kansas municipal bonds is based on the daily yield of thirty-year U.S. treasury bonds as published in *The Bond Buyer*.
- The federal government ceased issuing thirty-year treasury bonds in late 2001.
- It is not known how much longer *The Bond Buyer* will continue to publish a yield for thirty-year U.S. treasury bonds.

PROVISIONS OF BILL

- The maximum rate of interest will be based on the daily yield of ten-year U.S. treasury bonds as published in *The Bond Buyer*.
- The adjustment over the published yield is 3%/4% to compensate for going to a ten-year yield.
- The maximum interest rate for Kansas municipal bonds will be substantially the same as if the thirty-year yield was still the benchmark.
- Recognizes that taxable bonds bear a higher interest rate than tax-exempt bonds.

Senate Financial Inst. & Insurance

Date: 4-3-02

Attachment No. 2