

MINUTES OF THE HOUSE LOCAL GOVERNMENT COMMITTEE

The meeting was called to order by Chairman Sharon Schwartz at 3:33 p.m. on February 26, 2009, in Room 446-N of the Capitol.

All members were present except:

Representative Mike Peterson - Excused

Committee staff present:

Ken Wilke, Office of the Revisor of Statutes
Martha Dorsey, Kansas Legislative Research Department
Jill Shelley, Kansas Legislative Research Department
Carol Bertram, Committee Assistant

Conferees appearing before the committee:

Don Moler, Executive Director, League of Kansas Municipalities
Erik Sartorius, City of Overland Park
Representative Shirley Palmer, Linn County
Senator Pat Apple, Linn County
Kimberly Gencur Svaty, Kansas Municipal Utilities

Others attending:

See attached list.

Committee members had been sent copies of the minutes for the meetings of January 27, 2009, and February 3, 2009. Chair Schwartz asked if there was a motion to approve these minutes. Representative Goico moved that January 27 and February 3 minutes of the Local Government Committee meetings be approved as written, seconded by Representative Gordon. The motion carried.

Chair Schwartz opened the hearing on **SB 35 - Municipal bonds and obligations and interest rates thereon.**

Ken Wilke, Office of the Revisor of Statutes, presented an overview of **SB 35**. In addition, he stated this bill passed the Senate on a vote of 35-5. Questions and answers followed.

Proponents:

Don Moler, Executive Director, League of Kansas Municipalities, appeared before the Committee as a proponent to **SB 35 (Attachment 1)**. He stated the League feels it is important that legislation of this type be passed to give some flexibility to local governments in the issuance of municipal bonds. He went on to note there is a sunset on this bill and the League hopes it will be an adequate time period for the economic difficulties to work themselves out. He emphasized the need for the Committee and the Kansas Legislature to pass this legislation so there will be no additional burden placed on local governments in the issuance on municipal bonds over the coming year.

Questions and answers followed.

Erik Sartorius, City of Overland Park, appeared before the Committee as a proponent to **SB 35 (Attachment 2)**. He stated the low yield on ten-year Treasury bonds, coupled with increased interest notes that have been needed in order to attract buyers to municipal bonds, raises the concern that Kansas municipalities could be placed in the position of being unable to sell bonds.

Questions and answers followed.

Kimberly Gencur Svaty presented written testimony on behalf of the Kansas Municipal Utilities in support of **SB 35 (Attachment 3)**. She went on to answer questions from the committee members.

Chair Schwartz drew the Committee's attention to written-only testimony from the Kansas Association of Counties (Attachment 4). Their testimony supports **SB 35**.

CONTINUATION SHEET

Minutes of the House Local Government Committee at 3:30 p.m. on February 26, 2009, in Room 446-N of the Capitol.

There being no further conferees, Chair Schwartz closed the hearing on **SB 35**.

Chair Schwartz opened the hearing on **SB 38 - Hospital districts; formation, Linn county.**

Ken Wilke, Staff, explained the bill and the requirements concerning the creation of a hospital district in Linn County. He noted that **SB 38** would provide two options for holding an election to establish a hospital district in Linn County's Mound City and Paris townships. It also would set requirements for any hospital board established.

Chair Schwartz recognized Representative Shirley Palmer who presented testimony in support of **SB 38 (Attachment 5)**. She stated the citizens of Linn County want a hospital district and are working hard to keep health care services available in their community. They are working with the Linn County Commission and the Olathe Medical Center and many individuals. Their budget is around \$400,000 and they have already raised over \$350,000.

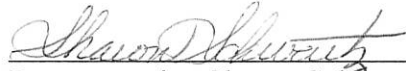
Questions and answers followed.

Chair Schwartz recognized Senator Pat Apple, who presented testimony in support of **SB 38 (Attachment 6)**. He stated this is called a hospital district when actually it is for a medical facility that will attract medical doctors into the community. He went on to say the facility will be built without this legislation, but this legislation will allow for funding the maintenance of the facility, and will provide money for some insurance.

There being no further conferees to appear before the committee, Chair Schwartz closed the hearing on **SB 38**.

The next meeting is scheduled for March 5, 2009.

The meeting was adjourned at 4:10 p.m.



Representative Sharon Schwartz, Chair



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League of Kansas Municipalities

To: House Local Government Committee
From: Don Moler, Executive Director
Re: Support for SB 35
Date: February 26, 2009

First I would like to thank the Committee for allowing the League to testify today in favor of SB 35 concerning municipal bonds and the interest rates which can be offered for these bonds. This legislation was brought to the League's attention by a number of city officials prior to the beginning of the legislative session who voiced concern that given the current statutory requirements regarding interest rates on municipal bonds, that it was very likely that it would create a situation in which it was difficult, if not impossible, to sell municipal bonds in Kansas. As a result, we felt that it was important that legislation of this type be passed to give some flexibility to local governments in the issuance of municipal bonds. As you can see from the legislation, there is a sunset on its provisions, and we hope that will be an adequate time period for the economic difficulties to work themselves out. It is therefore our hope that this committee, and the Kansas legislature, will see fit to pass this legislation so that there will be no additional burden placed on local governments in the issuance on municipal bonds over the coming year. I will be happy to answer any questions the committee may have concerning this legislation or the League's position on it.



City Manager's Office

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Testimony before the House Local Government Committee
Regarding Senate Bill 35
By Erik Sartorius

February 26, 2009

The City of Overland Park appreciates the opportunity to appear before the committee and present testimony in support of Senate Bill 35. This legislation would provide cities a temporary increase in the rates they off for bonds they issue.

Current law limits the interest that may be paid on municipal bonds. This limit is three percent for tax exempt interest and four percent for taxable interest, plus the daily yield for ten-year Treasury bonds at the time of the bond sale.

Senate Bill 35 proposes to allows a maximum rate of five percent for tax exempt bonds and six percent for taxable bonds, plus the daily yield for ten-year Treasury bonds at the time of the bond sale. The authority for these increased rates would expire on June 30, 2010.

The economic situation in the country has caused uncertainty in all markets, and the municipal bond market has not been exempt from this. The low yield on ten-year Treasury bonds, coupled with increased interest that has been needed in order to attract buyers to municipal bonds, raises the concern that Kansas municipalities could be placed in the position of being unable to sell bonds. While the City of Overland Park would carefully consider whether to enter such a market, the temporary flexibility resulting from the passage of Senate Bill 35 would be a welcome option.

Again, the City appreciates the opportunity to offer testimony before this committee. We respectfully ask that you recommend Senate Bill 35 favorably for passage.

Local Government

Date: 2-26-09

Attachment # 2



kansas municipal utilities

Submitted testimony provided the
House Local Government Committee
February 26, 2009

Colin Hansen, Executive Director
Kansas Municipal Utilities

Senate Bill 35

On behalf of Kansas Municipal Utilities (KMU), we would like to thank the House Local Government Committee for the opportunity to submit written testimony on Senate Bill 35 regarding interest rates for municipal bonds.

Formed in 1928, Kansas Municipal Utilities (KMU) is the statewide association that represents the interests of 170 municipal electric, natural gas, water and wastewater utilities. Our organization works directly with municipalities that depend on access to capital through the municipal bond markets to finance much needed infrastructure improvements. Many of these projects need to move forward even in uncertain economic times.

We understand that the bill would temporarily suspend the maximum interest rate for municipal bonds as imposed in K.S.A. 10-1009. Such suspension would be temporary until June 20, 2010. At which time, the maximum interest rate provisions shall return to effect.

As we have seen with the recent upheaval of the financial markets, it appears that the limitation on municipal interest rates as outlined is statute is no longer reasonable given the unprecedented spreads between municipal bond interest rates and those of the 10-year treasury rates which are used as the basis for determining the maximum interest rate. We would encourage the Committee to recommend approval of Senate Bill 35 to suspend the maximum interest rates for municipal bonds at least on a temporary basis so that the municipal bond markets can continue to work effectively for local government in Kansas without an undue market and interest cost burden.

We believe that your approval of Senate Bill 35 is a prudent approach to assisting local governments in obtaining necessary project financing in difficult times through the municipal bond market.

Thank you for your consideration and support of SB 35.

Local Government

Date: 2-26-09

Attachment # 3



TESTIMONY TO THE HOUSE LOCAL GOVERNMENT COMMITTEE
ON SB 35

Chair Schwartz and Members of the Committee:

Thank you for the opportunity to present testimony in support of SB 35. This bill temporarily lifts the maximum interest rate cap that can be paid on fixed and variable rate bonds – both taxable and non-taxable – issued by municipalities, including county governments in Kansas.

Counties depend on the issuance of long-term debt to finance various capital improvements, including roads, bridges, jail facilities, and other infrastructure. The practical effect of current law at K.S.A. 10-1009, assuming a daily yield for 10-year treasury bonds published by the *Bond Buyer* of about 2.65%, is that the maximum interest rates that can be currently paid on bonds are about 5.65% (tax-exempt) or 6.65% (taxable). In this time of nervous borrowing and borrowers, even counties and other municipalities with extremely favorable credit ratings are experiencing difficulty securing bids that can be accepted within the current statutory limitation.

A county's ability to issue long-term debt is very important to the economic viability of a community, as well as the State of Kansas. The current market conditions are extremely unusual and present extraordinary financial challenges to counties and potential borrowers. By temporarily lifting the statutory cap during this period of extreme uncertainty in the markets, the Legislature could remove a significant barrier to the issuance of long-term debt by counties and other municipalities. In some situations, temporarily lifting the cap, pursuant to SB 35, will mean the difference as to whether a project can proceed or not.

We strongly urge the committee to report SB 35 favorably to the full House, and appreciate the current language which makes it effective upon publication in the *Kansas Register*.

Thank you for the opportunity to present written testimony on this bill.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to Randall Allen or Melissa Wangemann by calling (785) 272-2585.

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Local Government

Date: 2-26-09
Attachment # 4

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TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
EDUCATION
VETERANS, MILITARY AFFAIRS,
HOMELAND SECURITY
AGRICULTURE AND NATURAL
RESOURCES

Testimony Presented To

The House Local Government Committee

By: 4th District State Representative, Shirley Palmer

February 26, 2009

Concerning Senate Bill 38

(An act concerning hospital districts; relating to the formation of a hospital district in Linn Co.)

Thank you for the opportunity to come before you in support of Senate Bill 38. SB 38 allows for the creation of a hospital district in Linn County, specifically Paris Township and Mound City Township.

I am the State Representative representing all of Linn County and most of Bourbon County so this would be something in my legislative district.

Senator Pat Apple introduced this bill in the Senate and I believe it passed 40-0. He is the Senator representing this district. We now need this to pass in the House.

SB 38 would provide two options for holding an election to establish a hospital district in Linn County's Mound City and Paris townships. It also would set requirements for any hospital board established.

The bill would require the Board of County Commissioners to call for an election if at least 10 percent of the two townships' qualified electors sign and file a petition requesting the formation of a hospital district. It would allow the Board of County Commissioners to submit the proposition to the two townships' voters on the Board's own motion.

If the hospital district is approved by a majority of those voting in such an election, the Board would then establish the hospital district and establish the original hospital district board, as provided for in law, which includes holding a public meeting for the purpose of electing the first board.

The bill would permit the hospital board, once established, to levy an annual tax of not more than two mills for operating, equipping, maintaining and improving the hospital. It would permit the hospital board to exceed the two-mill limitation if (a) the hospital board adopts a resolution to increase the levy above two mills; and (b) no petition in opposition of the increase, signed by at least five percent of the

Local Government
Date: 2-26-09
Attachment # 5-1

STATE OF KANSAS



TOPEKA

SENATE CHAMBER

PAT APPLE
SENATOR, TWELFTH DISTRICT
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COUNTIES
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LINN & MIAMI

COMMITTEE ASSIGNMENTS

CHAIRMAN: UTILITIES
VICE CHAIRMAN: ETHICS AND ELECTIONS
TRANSPORTATION
ASSESSMENT AND TAXATION

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Testimony Presented To
The House Local Government Committee
By Senator Pat Apple
February 26th, 2009
concerning Senate Bill 38

Thank you for the opportunity to come before the House Local Government Committee in support of Senate Bill(SB) 38. SB38 allows for the creation of a hospital district in Linn County, specifically Mound City Township and Paris Township.

SB38 states that when a petition signed by not less than 10% of the qualified electors of the two townships, and filed with the county commission requesting the formation of a hospital district, the county commission shall put to a vote of the qualified electors the formation of a hospital district. If successful the hospital district board is formed and may levy a tax not to exceed two mils.

The Mound City Medical Group Inc. is a group of concerned citizens that are working to keep health care services in their community. They are working with the Linn County Commission, Olathe Medical Center and individuals in their community to build a medical facility. Their budget is around \$400,000 and they have over 75% of their funds in hand. The facility will be built without this legislation but this legislation will allow for funding the maintenance of the facility, if approved by the voters. I am extremely proud of their accomplishments and think this represent the best of Kansans, seeing a problem and doing something about it. We all know that quality of life in our smaller communities is dependent on keeping a doctor and pharmacy in town.

I ask for your support of this legislation and please let me know if there be any questions regarding this legislation.

Very Truly Yours,

A handwritten signature in black ink, appearing to read 'Pat Apple'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Pat Apple
Kansas Senate, District 12

Local Government

Date: 2-26-09

Attachment # 6