

SESSION OF 2009

**CONFERENCE COMMITTEE REPORT BRIEF
SENATE BILL NO. 35**

As Agreed to March 31, 2009

Brief*

SB 35 would make substantive revisions and technical corrections regarding bonds issued by local units of government.

Interest Rates on Bonds Issued by Local Governments

The bill would increase temporarily the caps on interest rates that is placed upon bonds issued by municipalities and other local taxing subdivisions of the state. Currently, statute prohibits the interest rate on bonds issued by a municipality or a local taxing subdivision from exceeding the daily yield for ten-year treasury bonds, plus 3.0 percent if the interest is not taxable or 4.0 percent if it is taxable. The bill would increase the caps from the Act's publication date in the *Kansas Register* until June 30, 2010, to be the daily yield for ten-year treasury bonds, plus:

- 5.0 percent if the interest is not taxable; or
- 6.0 percent if the interest is taxable.

STAR Bond Clarifications

The bill would make technical corrections and clarifications regarding the usage of Sales Tax and Revenue (STAR) bonds.

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. Conference committee report briefs may be accessed on the Internet at <http://www.kslegislature.org/kldr>

Since STAR bonds utilize funding from sales tax instead of property taxes, the bill also would repeal the requirement that the county appraiser annually certify the increase in assessed value of real and personal property in the STAR bond district to the county clerk. The bill would clarify that the Secretary of Commerce is to set a limit on the total amount of bonds issued by a city or county when the funding comes from the incremental revenue received from any state sales tax. Currently, the law refers to the setting of such a limit only when a county pledges 100.0 percent of the incremental revenue from a county sales tax.

Conference Committee Action

The Conference Committee agreed with the House's amendment to temporarily increase the maximum interest rate on bonds issued by local governments. The Conference Committee further agreed to set the rates equal to the yield for ten-year treasury bonds plus 5.0 percent for nontaxable bonds or 6.0 percent for taxable bonds. The Conference Committee also amended the bill by adding the provisions of SB 138, as amended by the Senate Committee of the Whole. SB 138 would make technical corrections and clarifications to the statutes that authorize STAR bond financing for economic development.

Background

The League of Kansas Municipalities testified that several city officials expressed concern about the difficulty that municipalities may face in the near future to sell bonds due to low interest rates. Other proponents for the bill included the Kansas Association of Counties, the cities of Lawrence and Overland Park, Kansas Municipal Utilities, and bond counsel for local units of government.

There was no opponent testimony against the bill.

The House Committee on Local Government amended the bill by replacing the cap suspension with a temporary cap increase, and increasing the amount of time the temporary cap would apply by one year, until June 30, 2011.

The fiscal note on the original bill indicates that the bill would not have an effect on the state's revenue or expenditures.

Interest rates on bonds issued by local governments; Star bonds