

SESSION OF 2010

SUPPLEMENTAL NOTE ON SENATE BILL NO. 451

As Recommended by Senate Committee on
Local Government

Brief*

SB 451 would make a change to the municipal bond law. The bill would allow municipalities the option of accepting the good faith deposit for a municipal bond in the form of cash, including cash deposited *via* electronic fund transfer. Current law allows the good faith deposit to be made only in the form of a certified or cashier's check or surety bond.

If the good faith deposit is made by wire transfer into a municipality's account, the bill would alter the deadline by which the deposit must be furnished. Current law requires the deposit to be furnished at or prior to the time of sale by each bidder; the bill would allow the option of changing that deadline, for wire transfers, to any time prior to the time the municipality's governing body accepts the bid from the bond purchaser.

Background

The bill was requested by the City of Lenexa bond counsel. Others testifying favorably were representatives of the League of Kansas Municipalities, the Gilmore & Bell law firm, and the cities of Overland Park and Olathe.

Proponents testified that the only surety bond company in existence had suddenly discontinued its service, without notice, leaving both municipal bond issuers and bidders for municipal bonds without a timely, economical and efficient way to submit good faith deposits. The officials also supported permitting municipalities to accept the bid provided the good faith deposit is received by the bidder prior to the time the governing body accepts the bid, rather than prior to the time of the sale.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

No opponents testified.

According to the fiscal note, passage of the bill could result in a savings for cities which would be negligible. Additional savings to bidders also could be passed on to cities, but the amount of savings would be impossible to estimate due to several unknown factors.