

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT.

The meeting was called to order by Chairperson Rep. Gerry Ray at 3:30 p.m. on January 30, 2001 in Room 519-S of the Capitol.

All members were present except: Rep. Toplikar

Committee staff present: Theresa Kiernan, Revisor
Mike Heim, Research
Kay Dick, Committee Secretary

Conferees appearing before the committee:

Proponents:

Don Moler, Executive Director, League of Kansas Municipalities
Randy Allen, Executive Director, Kansas County Association
David Scott, Manager of Finance & Accounting, City of Overland Park
Charles Henry, Treasurer, Unified Government for Wyandotte Co.
Thomas Franzen, Johnson County Treasurer's Office
Rodney Franz, Director of Finance, City of Salina
Dennis Howard, Chief Financial Officer, City of Lenexa
Mike Taylor, Government Relations Director, City of Wichita
Carla Palmer, City Treasurer of Wichita
David Harris, Bank of America
Phil Ekstrom, President, First Bank, Topeka
Donald Johnston, Director, Commerce Bank, Lawrence
Norman Wilks, Attorney, Kansas Association of School Boards
Michael Pepoon, Director of Government Relations, Sedgwick Co.
Donald Seifert, Policy Development Leader, City of Olathe

Opponents:

Bob Kennedy, Executive Directory, Community Bankers Association
D. Max Fuller, President, The Stockgrowers State Bank, Maple Hill
Steve Hadlke, CEO, Union State Bank, Everest
Chuck Stones, Senior Vice President, Kansas Bankers Association

Others attending: See Attached list.

Jonathan Small, National Multi Housing Council, requested an introduce a rent control preemption bill.

Without objection it would be introduced as a committee bill.

Rep. Dillmore, 92nd Dist. requested a bill concerning liquor tax and allocation. A motion in favor was made and seconded. Motion passed with no opposition.

Hearing was opened on:

HB 2086 - concerning municipalities; relating to depositories for public funds

Don Moler, League of Kansas Municipalities, summarized the bill and presented his testimony. He spoke of how the bill proves greater flexibility for cities, counties and other local unit of government, by allowing taxpayer dollars to be maximized. "Cities should be authorized to designate any federal or state chartered financial institution as a depository for city funds." He urged the Committee to be very careful in accepting amendments to this legislation. "Ultimately this is a bill which promotes competition and thereby maximizes the public's dollar." (attachment #1)

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Randy Allen, Kansas Association of Counties, expressed support for the bill, which would give the counties additional options in the deposit of their public funds. KAC views this as an issue of local control. ([attachment #2](#))

David Scott, Manager of Finance & Accounting for the City of Overland Park, expressed that Overland Park supports **HB 2086** for reasons that it increases competition among financial institutions. This will allow local government to receive higher interest rates and thus, property taxes will decrease. He also stated, that the bill would provide an economic buffer to local governments during a slow-down in local economy. By allowing the financial institutions outside of Kansas to bid, local governments can benefit from others not affected by slow economic times. Also, pointing out an opportunity to increase the diversification among financial institutions, He concluded that this bill would eliminate the artificial investment barriers existing today - and allow for competitive investment markets to better serve the tax payers of Kansas. ([attachment #3](#))

Charles Henry, Director of Revenue/treasury for the Unified Government of Wyandotte County, testified in favor of **HB 2086**. He concluded by saying that this bill will offer the Unified Government the chance to earn additional investment income at no cost to the taxpayer. Because the law and our policies remain unchanged regarding depository security, the taxpayers are not at risk. ([attachment #4](#))

Thomas Franzen, Chief Deputy County Treasurer, Johnson Co. appeared and testified in support of the bill, stating that it would allow governmental entities to conduct business at the lowest possible cost, thereby passing potential savings onto taxpayers in the form of a reduced mill levy. (Attachment #5)

Chair introduced another proponent, Rod Franz, Director of Finance, City of Salina. He testified that there were five specific reasons for supporting HB 2086. 1] It maintains the safety of public funds. 2] It makes the two statutes consistent with one another. 3] It simplifies the process. 4] Diversification of the investment portfolio is a safety and liquidity feature. 5] It enhances the market enabling better rates with a more open and unrestricted market. (Attachment #6)

Dennis Howard, Chief Financial Officer, City of Lenexa, testified on behalf of the City, expressing support for HB 2086. (Attachment #7)

Mike Taylor, Government Relations Director for the City of Wichita, stated, You will have two separate testimonies, one from Carla Palmer, City Treasurer and one from myself, and in the interest of time I'm going to consolidate and present both testimonies. Although Carla is here for questions later as she has more technical expertise in this than I do." He testified that managing public money involves a special trust and requires public officials to use caution, diligence and expertise to make sure those funds are invested in the public interest. The current statute limits municipalities from properly diversifying their investment portfolio, based on local banks need for funds. Under the new legislation this would allow municipalities to diversify based on prudent investment practices. Mandatory "hometown banking" is a thing of the past. ([attachment #8 & #8a](#))

David Harris, Bank of America, gave testimony in support of **HB 2086**. He emphasized that this bill will not dictate where any Municipality must bank, only allowing a more competitive environment from which Municipalities may select their banking services. ([attachment #9](#))

Phil Ekstrom, President, Firststar Bank, testified in favor of **HB 2086**. He stated that deposits have decreased due to bank and non-bank competition. "This is a problem all bankers face." He summarized by saying, "Competition is good and healthy. Competition keeps us sharp and aggressive. Not allowing banks with out of state charters to offer certain services to public fund customers would reduce interest received by the public entity due to reduced competition. ([attachment # 10](#))

Don Johnson, Director of Commerce Bank of Lawrence gave testimony in support of **HB 2086**. He stated that if the proposed legislation were approved, banks would be free to utilize a system-wide array of

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banking and investment tools to the fullest advantage for our municipal customers. They could bid for local funds in a much more competitive manner, allowing constituent municipalities to reap the benefit. (attachment #11)

Norman Wilks, Attorney, Kansas Association of School Boards, testified in support of **HB 2086**. He stated that this bill represents a longstanding policy of the Kansas Association of School Boards. (attachment #12)

Mike Pepoon, Director of Government Relation, gave testimony in support of **HB 2086** on behalf of Sedgwick County. He emphasized that the effect of this legislation would give cities and counties more options to take care of their banking needs and create an environment of more competition from such banks for these services. (attachment #13)

Don Seifert, Policy Development Leader, testified in favor of **HB 2086** on behalf of the city of Olathe. He indicated that the city believes this bill is good public policy, and gave several reason. (attachment #14)

Chair recognized that this was the conclusion of proponents for **HB 2086** and announce moving on to the opponents for the bill.

Bob Kennedy, Community Bankers Association, briefly stated the position of the association representing other bankers in the association. He explained that 40% of the association members were small town banks(in towns of 1,000 or less) This bill would create another drain on the deposits, further weakening the ability to satisfy the capital needs of the local community. (attachment #15)

Max Fuller, President of The Stockgrowers State Bank, Maple Hill, gave testimony in opposition to **HB 2086** asking that the committee amend the bill to leave the law in regard to Idle Funds in its present form. He started that the State Idle Funds are an important source of funds for most Community Banks in Kansas. (attachment #16)

Steve Handke, CEO, Union State Bank, Everest, stated that he would provide written testimony at a later date. Mr. Handke testified in opposition of **HB 2086** stating that it is poor public policy for the State of Kansas. He also addressed some of the economic terms heard from the counties and cities.

Chuck Stone, Senior Vice President, Kansas Bankers Association, appeared before the committee in opposition to **HB 2086**. He said that Kansas taxpayers money should stay in Kansas for the benefit of the taxpayers. He also declared that it is very evident that Kansas is merely acting as a deposit collecting area for some of the large multi-state banking operations. He went on to say that it is not the local unit of governments' money. It is not about competition. There is not a need for this legislation. He continued to expand on how many Kansas banks depend on local public funds as a stable base of deposits in order to meet the needs of their communities. He said that the association feels that this legislation is not in the best economic interest of Kansas and its taxpayers. He also gave suggested amendments to **HB 2086**. (attachment #17)

Chair Ray called attention to a letter from Jack Ford, Mayor of Kingman City supporting the bill. (attachment #18) And a letter from Bruce Morgan, Chairman, President & CEO of Valley State Bank in opposition to **HB 2086**. (attachment #19)

Both proponent and opponent conferees responded to questions asked by the committee.

Chair Ray closed the hearing on **HB 2086**.

Meeting was adjourned at 5:10. Next scheduled meeting is February 1, 2001.