

To: House Financial Institutions and Rural Development

From: Amanda L. Stanley, General Counsel

Date: March 3, 2021

RE: Proponent Testimony for HB 2429, Establishing a City Utility Low Interest Low Program

We want to thank Chairman Kelly and the Committee members for allowing the League of Kansas Municipalities the opportunity to provide testimony in support of a City Utility Low-Interest Loan Program.

Under the proposed City Utility Low-Interest Loan Program, a city could borrow from the State to cover the extraordinary electric or natural gas costs incurred during the extreme weather crisis event of February 2021 from the State Idle Funds. The loan would have to be paid back over 10 years with an interest rate that is 2% below the market rate as provided in K.S.A 75-4237. The loan cannot be used to pay for normal budgeted expenses. If federal money becomes available from aid or various investigations, those funds must first be used to pay off these loans.

This legislation is crucial for the economic stability of the residents and businesses in more than 100 cities in Kansas ranging from populations of 82 to 27,000 with municipal owned gas and electric utilities. Unlike investor-owned utilities or electric cooperatives, cities are unique in the fact that a city must comply with the cash basis law. Under the cash basis law, a city cannot hold the debt created by the extraordinary utility expenses. This means that legally, there is no current way for a city to allow excess expenses to be spread out over time to lessen the economic hurt that will be felt by all members of the community. The scale of the expenses is far bigger than most cities' utility reserves. In order to continue providing vital electric and natural gas to these communities, without this legislation, the cities will have to immediately pass these expenses on to their customers. This is an expense that cannot be absorbed by the average citizen or business already struggling to recover from the COVID-19 pandemic. This legislation will allow a community to gradually pay off these extraordinary expenses over time.

Time is of the essence. We urge you to pass this urgent legislation out of committee today to help the residents and citizens in cities across the state. The City Clerk from Argonia summarizes the urgency and the need well in her testimony when she wrote "Our small community of only 500 residents has been in shock over the Natural Gas pricing during the hard-cold spell mid-February. We are asking for our voice to be heard. This impact of the extreme change in price has set a very alarming shudder through our office, Governing Body, community members and businesses. This extreme cost could break us. We have worked so hard to keep our small quiet rural community afloat the past several years... We need your help, we need you to hear our voice, we need everyone to come together and find ways to help those in need."

We urge you to pass this bill out of committee today.