



STATE OF KANSAS

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February 29, 1980

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ATTORNEY GENERAL OPINION NO. 80- 58

Mr. Robert J. Watson  
City Attorney  
Kansas City, Kansas  
One Civic Center Plaza  
Kansas City, Kansas 66101

Re: Contracts and Promises--Interest and Charges--  
Contract Rate, Limitations

Synopsis: Industrial revenue bonds issued pursuant to K.S.A. 12-1740 et seq. at an interest rate in excess of ten percent (10%) are not in violation of K.S.A. 1979 Supp. 16-207 (as amended by 1980 Senate Bill No. 731).

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Dear Mr. Watson:

You have requested our opinion on whether certain industrial revenue bonds to be issued pursuant to K.S.A. 12-1740 et seq. by the City of Kansas City, Kansas, at an annual net interest rate of more than ten percent (10%) would be in violation of the provisions of K.S.A. 1979 Supp. 16-207 (as amended by 1980 Senate Bill No. 731).

K.S.A. 1979 Supp. 16-207 as amended provides in pertinent part:

"[T]he parties to any bond . . . or other instrument of writing for the payment or forbearance of money may

stipulate therein for interest receivable upon the amount of such bond . . . or other instrument of writing, at a rate not to exceed ten percent (10%) per annum unless otherwise specifically authorized by law." (Emphasis added.)

Interest rate limits for general obligation and revenue bonds of a municipality are found at K.S.A. 10-1009. K.S.A. 10-1009(b) provides in pertinent part for revenue bonds:

"Whenever a rate of interest is authorized to be fixed in any act which this act is amendatory, except for interest upon bonds constituting a general obligation of and backed by the full faith and credit of a municipal or taxing subdivision, such interest may be fixed in any amount not exceeding nine percent (9%) per annum."

Unless otherwise specifically provided by law the rates of interest for municipal bonds in the state of Kansas will be controlled by K.S.A. 10-1009; however, interest rates on bonds issued under the provisions of K.S.A. 12-1740 et seq. are not subject to the provisions of the general bond law K.S.A. 10-101 et seq. (Attorney General Opinion No. 76-336).

It is the clear implication from State, ex rel., v. City of Pittsburg, 188 Kan. 612, 364 P.2d 71 (1961), that the interest rates allowable on obligations issued pursuant to K.S.A. 12-1740 et seq. are those to be determined without limitation by ordinance of the city and we concur in that opinion. K.S.A. 12-1743 provides in pertinent part:

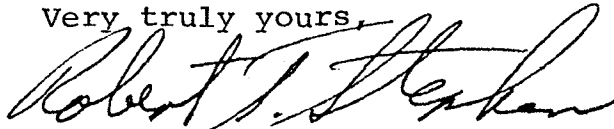
"All details pertaining to the issuance of such bonds and the terms and conditions thereof shall be determined by ordinance of the city."

Therefore, in our opinion neither K.S.A. 10-1009 or K.S.A. 1979 Supp. 16-207 as amended are applicable to bonds issued pursuant to K.S.A. 12-1740 et seq. The terms and conditions, including the necessary rates of interest to complete the financing on any issue, are details to be determined by the

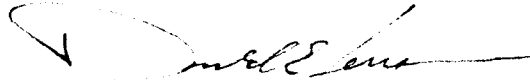
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city pursuant to K.S.A. 12-1743. K.S.A. 1979 Supp. 16-207 as amended provides that said interest rate may be in excess of ten percent (10%) if otherwise provided by law. It is our opinion that K.S.A. 12-1743 provides the necessary authority to exceed the interest rate limitations of K.S.A. 1979 Supp. 16-207 as amended by providing that the terms and conditions of the bond issue are to be determined by the city.

Very truly yours,



ROBERT T. STEPHAN  
Attorney General of Kansas



Donald E. Jensen  
Assistant Attorney General

RTS:BJS:DEJ:jm