

STATE AFFAIRS COMMITTEE  
January 18, 1968

The meeting was called to order by the Chairman, with Mr. Slocombe and Mr. Skoog appearing on behalf of H.B. 1723. Mr. Skoog explained that the proposal comes from the advisory commission on intergovernmental relations; that it deals with industrial bonds for private enterprise. (See attached) Mr. Andrews inquired what agency would direct it and Mr. Skoog replied that it would be the director of economic development and that they would try to make it fit the available boards; that there might have to be some expansion in staff. Mr. Boyer inquired why they limited it to cities and Mr. Skoog replied that this is because the present law permits only those governing boards to issue bonds. Mr. Kessinger inquired if it would prohibit those expansions in a present location and was advised that it was intended to make that restriction. Mr. Unruh inquired about retail establishments coming in and coming under this, buying their own bonds, paying no taxes and all the profit ending up in their pockets. Mr. Skoog replied that the 15% restriction should take care of that. It was agreed that for the firm to want to buy some of the bonds showed good faith. Mr. Rogers discussed an incident where the plant coming in had to agree to buy a certain amount of the bonds or they couldn't have sold them.

Mr. Bunten moved that H.B. 1681 be recommended favorably. After some discussion concerning the regulation of TV repairmen, Mr. Ford seconded the motion which carried eleven to one. The Chairman announced that there would be no meeting of the Committee on Friday or Monday, but that on Tuesday the regular schedule will be resumed and that consideration would be given to 1726, 1729 and 1741.

The meeting was adjourned.

## Restrictions Asked

# Industry 'Pirates' Rapped

Proposed legislation that would clamp some restrictions on city use of industrial revenue bonds to attract businesses was outlined before a House committee Thursday by Rep. Ralph Skoog, R-Topeka.

Skoog, cosponsor of the measure, said it should prevent the draining of industries between cities, the possible overextension of a city's financial resources and provide a measure of statewide control over the expanding use of industrial revenue bonds.

Skoog cited instances of alleged abuses in which an unnamed city in Southeast Kansas used industrial revenue bonds to construct a new facility and to pirate a battery plant from Atchison.

He told the House State Affairs Committee another city in Kansas issued industrial revenue bonds to build a plant and

later found it would put heavy strain on the municipal water system.

"I'm not offering this bill as an enemy to good, sound industrial revenue bonds," Skoog said.

The Topeka legislator said he understands there is \$88 million worth of industrial revenue bonds outstanding in Kansas. Skoog said his measure would give the state power to set a maximum limit across Kansas for such bonds, with the limit geared to the state's economic capabilities.

Under Kansas law, cities can issue tax exempt industrial revenue bonds to build a plant for some business, provided the firm agrees to lease the structure for a specific period. The rent then is used to retire the bonds.

Many cities have used the bonds to attract industries by of-

fering to build a plant with industrial revenue bonds.

The bill would require cities to obtain a certificate of convenience and necessity from the director of the Kansas Economic Development Commission before they could issue revenue bonds for any project.

Before issuing the certificate, the director would have to find that regular commercial credit was unavailable, that a contract between the city and the business is in force, that the number of new jobs provided would be in reasonable proportion to the size of the bond issue and that the proposed bond issue is not designed to pirate an existing industry away from another Kansas city.

The bill also provides that 10 per cent of the voters in a city could petition for a referendum on the proposed industrial bond issue.