

M I N U T E S

SPECIAL COMMITTEE ON FEDERAL AND STATE AFFAIRS

August 12 and 13, 1975

Members Present

Senator Neil Arasmith, Chairman
Representative Lloyd Buzzi, Vice-Chairman
Senator Arden Booth
Senator Ed Reilly (August 12 only)
Senator Charles Wilson
Representative Jim Ungerer
Representative Carlos Cooper
Representative Tom Slattery
Representative Bill Morris
Representative Eugene Gastl
Representative Paul Feleciano
Representative Eugene Anderson
Representative Joseph Mikesic

Staff Present

J. Russell Mills, Jr., Legislative Research Department
Donald L. Jacka, Jr., Legislative Research Department
Mary Torrence, Revisor of Statutes Office

Conferees

Chris McKenzie, Division of State Planning and Research
Walt Plosila, Division of State Planning and Research
Lynn Hellebust, Governmental Ethics Commission
Calvin Strowig, Governmental Ethics Commission
Jack Crocker, Big Lakes Regional Planning Commission

August 12, 1975

Morning Session

The meeting was called to order by Chairman Arasmith, who stated the order of business would be the further consideration of

Proposal No. 18 - Kansas Housing Finance Authority. He introduced Dr. Walt Plosila, Acting Director, Division of State Planning and Research. Dr. Plosila stated that there is a shortage of housing in Kansas and a problem with substandard housing. Dr. Plosila advanced several reasons for the housing shortage in Kansas:

- 1) The housing problem is somewhat regionalized since the need for housing is accelerating in urbanized eastern Kansas and a modest increase in far southwest Kansas;
- 2) about 50% of the state's housing was built before 1940;
- 3) in the next generation, there will be proportionately more adults in Kansas who will create a need for inexpensive, yet standard, housing;
- 4) six percent of the existing housing in Kansas is substandard on the basis of certain physical characteristics.

Dr. Plosila's prepared statement is appended as Attachment No. I.

Dr. Plosila pointed out that there are presently 38 states with some kind of housing authority; that they have been established between 1970 and 1975; that it takes about three years to get the authorities going; and, therefore, there is little experience upon which to base expectations. In passing such legislation, Dr. Plosila stated, it has been the intent to finance housing which could not otherwise be financed through conventional methods and that most states have created reserve funds such as are suggested in H.B. 2612. He did point out, however, that generally the resources have been directed toward new housing rather than toward rehabilitation.

Dr. Plosila suggested several proposed amendments to H.B. 2612:

- 1) Include additional provisions which will strengthen the commitment to meet low and moderate income housing needs;
- 2) include provisions guaranteeing both a project's market feasibility and consistency with state, regional, and local housing assistance plans and goals for the distribution of low and moderate income units;
- 3) identify low and moderate income housing performance goals for the Authority;

- 4) modify the definition of "family" to include unrelated elderly, disabled, or handicapped individuals, as was done in the Iowa H.F.A. Act;
- 5) include in the membership of the Authority potential consumers of the housing services to be provided; and
- 6) consider alternative funding mechanisms for the Authority.

Dr. Plosila stated that he supported the concept of using the KDED staff in the administration of the program, and the provision concerning 25% of the funds for rehabilitation which he felt is very important in Kansas.

A member inquired if there was sufficient emphasis in the bill under consideration in regard to "low and moderate income housing". Mr. Chris McKenzie stated that he feels there is sufficient mention in the bill that the money be directed toward "low and moderate income families". He explained that HUD now refers to income groups as "low and lower" while FmHA uses "low and moderate".

Representative Feleciano stated that he had attended the meeting in Chicago with staff and other members, and that it appeared most of the development started in the urban areas and that the agencies have forgotten the rural areas and that he wanted to make sure that the bill takes care of that problem. Dr. Plosila explained that by requiring a performance goal for different income groups, the agency can deal with rural as well as urban areas.

The Chairman inquired whether the way the bill proposes to set up a board and use KDED staff is a duplication and whether he would recommend specifically abolishing the Division of Housing in KDED. Dr. Plosila stated that he believed there would be no duplication because the KDED staff would only carry out board policy and that he feels this is reasonable.

A member inquired if there are presently any federal programs dealing with rehabilitation. Dr. Plosila stated that there are some programs but that they have not been very successful because of a problem of getting the information to the people. He stated too that there is no efficient method to keep rehabilitation costs down because many of the older homes are ornate which makes it difficult to estimate costs, whereas with the modular type structure, a whole unit, such as a kitchen or bath, can be set in as assembled. Mr. McKenzie explained that it also depends upon the scale of rehabilitation; that in the Boston area they have been successful in an economical approach to the repair of the older structures following a "modular" concept.

The Chairman inquired if there would be two sets of standards in dealing with new construction and rehabilitation. Mr. McKenzie stated this would be governed by the zoning and building code arrangements.

Representative Feleciano stated that one of his concerns was educating people how to live in some of the structures. Dr. Plosila stated that some authorities have provided support and counseling; and that HUD had provided this service but with little result, possibly because it was not known the service was available.

A member inquired if 25% was an adequate figure for rehabilitation. Dr. Plosila stated that he strongly supports the rehabilitation approach, and that it might be wise to stick with 25% until it can be determined if the figure is realistic, since there is no experience upon which to base such a program.

A member inquired about the size of staff of other authorities, and the Vice-Chairman stated that, on an average, it was between 14 and 17, with the exception of New York which has about 600 personnel.

The Chairman stated that while he was in Chicago, he talked with a member of the Wisconsin Housing Authority, and that he was extremely impressed with what they had done, especially as far as statewide application is concerned; that they started three years ago with a \$60,000 budget and seven employees, some of which were borrowed from the Department of Economic Development. He stated that the Authority has become self-sufficient, the original appropriation has been repaid to the state general fund; and that they are considering doubling their staff to 14.

Mr. Jack Crocker, Director, Big Lakes Regional Planning Commission, Manhattan, was introduced to discuss the proposed legislation. Mr. Crocker's prepared statement is appended as Attachment No. II. He explained that his commission is one of 14 in the state and was the first to be organized; that their goal is to solve housing problems through mutual cooperation; that they have a rural and urban mix, and the RPC is composed of Riley, Dickinson, Clay and Pottawatomie Counties. He explained that in their survey, 76% of the housing was considered standard; 18% in need of some repair; and 5% needed major repair but were repairable, while 1% was considered to be unrepairable. He stated he believes it is more costly to build new construction. He pointed out that there are 26 federal programs addressing themselves to housing problems, and most are not effectively used. He stated that information on housing programs is difficult to acquire and that his region is developing a program to respond to this particular problem.

Mr. Crocker testified that he believes it would be difficult if not impossible to do an accurate statewide study partly because of the many different definitions. He urged that there

is need for a program which identifies the units needing replacement and the standards therefor, and stated there is no uniform instrument in existence in the state. He stated he feels rehabilitation has been viewed as a "low level" priority and he feels a program should be developed to give an evaluating tool and to educate people concerning the availability of federal programs. He stated he would like to see an approach where, in the case of elderly home owners, they could keep their property in salable condition without burdensome payments, perhaps with an arrangement whereby the costs of repairs could be recovered later at the time of sale, or even a subsidized program in which the individual would pay back the loan in nominal amounts. He stated that there should be regional programs to answer needs and provide financing and that attention should be given to rehabilitation and/or rebuilding. He testified that one of the problems with federal programs is that they provide the money but do not provide information and education. He also stated that he believes the proposed legislation has potential but unless it incorporates suggestions similar to those which he has made, it will be difficult to have a meaningful program.

Chairman Arasmith called attention to an opinion of the Kansas Attorney General (Opinion No. 75-315, August 4, 1975) which states, in brief, that the state may not obligate state funds to match federal funds for projects which constitute "internal improvements" (Attachment No. III). He stated his opinion that this interpretation would prohibit the use of state funds by the housing authority except for administrative purposes.

Staff distributed a packet of materials and briefly explained each document. The packet (Attachment No. IV) contained the following materials:

- 1) Fiscal note for H.B. 2612;
- 2) Section 8 allocations data;
- 3) FmHA income limits;
- 4) HUD income limits for Section 8;
- 5) HUD regulations for Section 8 Housing Assistance Payments; Federal Register, March 31, 1975;
- 6) income data for Kansas families;
- 7) Section 802 of the Housing and Community Development Act of 1974.

The Chairman stated that he felt the Committee had four options with regard to Proposal No. 18: (a) Make no recommendation on H.B. 2612; (b) Recommend no action be taken; (c) Recommend the adoption of H.B. 2612 as amended; (d) Recommend that a housing authority be created and that a new bill be drawn.

Representative Feleciano stated that he is convinced that Kansas needs some kind of a housing bill. With regard to H.B. 2612, he stated that he does not know if it is the proper vehicle and recommends the drafting of a new bill.

Senator Booth agreed, stating that he had received many unfavorable comments concerning H.B. 2612. He stated that he believed with the help of staff and those members who attended the Chicago housing conference, a better bill can be developed -- a bill which will be beneficial to the people of Kansas.

Senator Wilson expressed the opinion that neither the agency nor the bill was needed; that there is already a housing agency created within KDED; that the Attorney General has ruled the state cannot get involved in the lending of money for building homes; and that the problem lies at the local level. Representative Feleciano disagreed, explaining that a housing problem does indeed exist; that elderly, handicapped and low income people need assistance; that there are federal programs but the information is not being filtered to the local level; and that the authority would meet such a need, and a bill should be drafted to meet these needs in Kansas.

Representative Ungerer referred to the fiscal note, and stated that he objects to putting out a half million dollars to create a bureaucracy; that it would do more good to take the money, build structures, and give them to the people directly.

Representative Morris stated that he had experienced some real doubts about the bill but believes, in light of the federal funds, that it is necessary; that staff and Committee should use the testimony and come up with a bill emphasizing the use of federal funds. He moved that staff be directed to draft a proposal establishing a housing authority, with primary emphasis on using federal funds which are available. Motion was seconded by Representative Cooper.

Representative Anderson stated there are times when it is necessary to create agencies, and he feels this is one of those times; that he has talked with individuals in the city government in Wichita who tell him there are 15,000 housing units vacant which could be rehabilitated but there are no available funds; and that if it takes the creation of a bureaucracy to start work on the housing problem, a bill should be drafted to implement it.

Senator Booth stated that he believed such an authority would work through the local units of government and elected officials in the community; that he does not foresee a large agency but rather one that would distribute information and give assistance.

The Chairman pointed out that the Housing Act of 1974 provides that states having a housing authority can receive federal funds and that is the best way the funds can be used; that this is a way to offer relief to low income individuals; that otherwise

there is no way these individuals can participate; that it could provide funds for rental units, reduced interest rates for owners of rental units, and relief on rental payments for low income people.

Representative Anderson mentioned that one of the points which had repeatedly been brought up by conferees was that the number one criterion to economic growth in the state is that there must be housing to accommodate them. He supported Mr. Morris' motion and called for the question. Upon vote, the motion carried by a majority.

The meeting was recessed to reconvene at 1:30 p.m.

Afternoon Session

The Chairman reminded members that they had voted to have staff prepare a proposal establishing a Kansas Housing Authority. He asked for collective ideas for giving guidance to staff.

The Chairman inquired if members were prepared to take action on minutes as distributed. It was moved by Senator Wilson and seconded by Senator Reilly that the minutes be approved. Motion carried.

The Chairman stated that a number of people had suggested scrapping H.B. 2612, but that staff needs something to start from, and with that in mind, inquired if the Committee wished the Housing Authority to be a part of KDED, and how the board should be made up. Senator Wilson stated he would like it to be a part of KDED.

The Chairman pointed out that recently it had been the trend to make boards and commissions advisory, and asked the opinion of the Committee.

Representative Anderson stated that since KDED oversees new industry, they should be in a position to know the housing needs for individual areas and that it would be a good concept to keep the Authority within KDED.

Representative Feleciano stated that he had the impression that it should be a separate agency. Representative Buzzi explained that some felt this was the ideal, but most had started this way and it appears to be the most feasible and practical. The Vice-Chairman and the Chairman stated they had concluded the Authority should be left with KDED as in H.B. 2612 because it would meet the demands of the federal programs.

The Chairman then inquired concerning the membership of the Authority. After discussion, it was agreed that the figure should remain at seven. There was discussion concerning whether or not the membership should be spelled out. It was moved by

Senator Reilly and seconded by Representative Anderson that the members be appointed by the Governor, confirmed by the Senate, and have qualifications as listed in H.B. 2612. Motion carried five to four.

There was discussion concerning political balance and it was moved by Senator Wilson and seconded by Representative Feleciano that the board be comprised of seven members with no more than four of the same political party. Motion lost four to seven.

The Chairman inquired if the Committee wished to be specific concerning instructions to the Authority, i.e., emphasis on rehabilitation as well as new construction, low income as well as moderate income, rural versus urban? Concern was expressed about the bonding procedure, and staff was instructed to find out if the bonding provision was necessary in order to receive federal funds, and also, to find out if local authorities could float their own issues if the State Housing Authority did not have this capability.

Mr. Mills stated that it is his impression that the federal government is getting out of the business of construction; that he does not feel that, under Section 8, money can be used for construction, and, therefore, the state agencies need the bonding authority.

It was moved by Representative Buzzi that the bonding provision be drafted into the bill, with the lid as previously set out in H.B. 2612. Motion was seconded by Representative Morris who stated he would like to minimize that aspect of the agency. Motion carried six to two, with Representative Ungerer and Senator Wilson asking to be recorded as voting in opposition.

The Chairman inquired if direction should be given to the Authority concerning emphasis on rehabilitation, rural, urban, etc. Representative Morris was opposed to putting in definite figures and felt the bill should give maximum flexibility, but that he would like to see these things mentioned.

Representative Cooper called attention to a letter from the Housing Assistance Council (Attachment No. V) which noted the manner in which California handles this problem.

It was moved by Representative Ungerer and seconded by Representative Cooper that the specifics referred to in the California law (Sec. 41495), be incorporated into the draft. A substitute motion was offered by Senator Wilson that Sec. 41332.5(f) be incorporated instead, and that after the word "handicapped" the following be inserted: "with urban revitalization programs". The substitute motion carried by a vote of 8 to 0.

It was also agreed that the last sentence of paragraph 1 of Sec. 41495 be included and the term "rural" added. Senator Booth stated he would like to see the word "may" changed to "shall", and moved that suggestion. Motion was seconded by Representative Anderson and carried by a vote of 9 to 0.

It was moved by Representative Feleciano and seconded by Representative Buzzi that staff incorporate Sec. 41497 of the California law and change "very low" to "low income".

Senator Reilly expressed concern about the tax aspect of such legislation, and asked if this wouldn't tend to take property off the tax rolls. Representative Buzzi explained that would happen only if it was owned by the municipality; that a private developer would be subject to tax. He explained the only way this could happen would be in the case of foreclosure, but the property would be sold in the required period. In case of foreclosure, however, Representative Buzzi stated there should be a time limit and an appraisal of fair market value so that a loss would not have to be taken.

Senator Reilly asked if there should be some protection in regard to taxes, and the Chairman explained that the Committee is not addressing itself to that matter; that it should be separate legislation.

Representative Morris asked if the Chairman, Vice-Chairman, and perhaps Representative Feleciano could review the draft prior to the next meeting and then send a draft to members. Senator Wilson asked if a performance report to the legislature could be incorporated, and the Committee agreed that this would be advisable.

It was moved by Representative Morris and seconded by Senator Booth that the staff carry out such suggestions as previously made by the Committee. Motion carried unanimously.

The Chairman pointed out that the Committee still needed to review Proposals 17 and 19, and that the September meeting will be primarily to finalize Committee decisions on these proposals.

August 13, 1975
Morning Session

The meeting was reconvened by the Chairman who explained that the Committee would be looking at Proposal No. 20 - Monitoring the Activities of the Governmental Ethics Commission.

Chairman of the Governmental Ethics Commission, Calvin Strowig, made preliminary remarks concerning the Commission, their programs, and goals (Attachment No. VI). He then turned the presentation over to Lynn Hellebust, Executive Director. Mr. Hellebust

referred to the prepared materials, Attachment No. VI, which included a fact sheet, statement of goals and objectives, program activities and policies concerning campaign finance, conflict of interest, and lobbying matters.

Mr. Hellebust explained that because there was so little time to get organized and there was a limitation in staffing, they had found it necessary to rather arbitrarily set some priorities and he realized that some portions of the law had not yet been fully implemented. He stated that they had done a post-election spot desk review, and stated that in the matter of campaign finance, there were 370 candidates who filed a total of 2,600 documents; 210 party committees filing 1,470 documents, and 192 political committees which should have filed about 1,300 reports. He explained that all of these 5,400 documents need to be reviewed and some will need follow-up. He stated there are 1,500 substantial interest statements filed by officers and employees, 265 representation case statements, and 546 documents filed by registered lobbyists. Further, he stated that the reports indicate that \$105,600 was reported as expenditures by 106 lobbyists. He emphasized that many lobbyists have very small expenditures.

Mr. Hellebust explained that they cross-check documents for inconsistencies; that they have completed 75 desk reviews on state officials and House members; that 52% of these had some errors, 72% of which have already been corrected. He stated they are keeping statistical data on the desk review form (Attachment No. VII). He stated that 47 reports were looked at in July and that it takes about two hours to conduct an initial desk review.

Mr. Hellebust pointed out that their efforts have been toward being helpful and assisting individuals in complying with the law -- not to harass -- and that the general attitude and cooperation have been good. He explained that 82% of the candidate reports have checked out satisfactorily, and that most problems have been errors and not intentional omissions.

With regard to investigation and enforcement, Mr. Hellebust explained that they are still working on procedural regulations. In general, during audit, if other information is needed they make inquiry and get the reports as needed. No investigation is made if it is not warranted. On the other hand, if it appears there is probable cause, a complaint would be issued and further investigation made, after which the Commission determines and a public hearing is necessary. He stated the rights of the individual are always protected.

With regard to administration, Mr. Hellebust stated that the staff has been extremely busy. Much time is taken giving attention to budgeting and planning, and formulating rules and regulations. He pointed out that the Commission has been equally busy, having held 28 meetings in the 15 months of existence. Attendance normally runs about 9 out of the 11 members.

A member inquired what the largest problem had been. Mr. Hellebust explained the very short time frame -- getting forms ready, trying to educate people in filling them out, and meeting the requirements of the Act. Mr. Strowig explained that the first six months had been spent in working on nothing but campaign finance areas.

A member asked for clarification concerning an "in kind" contribution and felt it was difficult to determine values. Mr. Hellebust urged that the contributor be asked his estimate of the value, and then a record maintained on that basis so that the two reports would coincide. He stated that it is a problem and they hope to have it clarified in the rules. Further, he expressed the hope that the treasurers will have all the information by then, and the staff is working toward better guidelines.

A member inquired what the 1975 changes had done to the Commission, and Mr. Strowig explained they haven't gotten deeply involved in those changes as yet. He did point out that the law says the opinions previously issued are in effect until they are changed and that, with the changes in the law, some of the opinions are probably inconsistent.

A member inquired if they had run into any resentment. Mr. Hellebust stated it had only happened in possibly five or six instances, although a number of people thought some of the required information was an invasion of privacy. He reiterated that after working with these people and many others, that they have come to understand that the Commission is only implementing the law.

A member inquired how much time would be involved in a full field audit. Mr. Hellebust stated it depended on the records, whether it is a major candidate, how much money was spent, etc., but perhaps an average of three weeks. There was an inquiry concerning "left-over" materials from a previous campaign, and Mr. Hellebust stated this would be dealt with later in rules and regulations.

A member inquired about any problems in filings by lobbyists and Mr. Hellebust explained they haven't been able to conduct a thorough review at this time -- again the matter of priorities, and they have considered the Campaign Finance Act to have priority.

Mr. Mills stated that an absent member had asked him to inquire about a situation where a candidate or legislator attends a county fair and sets up a booth distributing some general, non-partisan material (such as Legislative Highlights), what is required under the Campaign Finance Act. Mr. Strowig explained they try not to give guidelines without an opinion, but that a legislator providing information to a constituent is not considered to be a candidate until he has announced or appointed a treasurer.

A member inquired about a candidate which has no opposition and his responsibility, and Mr. Hellebust stated this is a

special situation, and all he would need to do would be fill out the summary sheet which shows no monies or expenditures.

A member stated he believed there needs to be some clarification about when a person becomes a candidate. Mr. Hellebust stated he felt a set time limit would cause tremendous problems. A member expressed the hope that there could be a way to make it simpler to become a candidate and Mr. Hellebust suggested that when one becomes a candidate, the person should set up a separate bank account and make no expenditures that do not come from that account, whether it is his own money or from contributions. Another member inquired if unsuccessful candidates were reviewed, as well as winners, and Mr. Hellebust stated they have, although some haven't particularly liked the idea. He explained that priority had been given to the general election, but that they would be looking more closely at primaries in the future.

The Chairman inquired if the Commission had ever been accused of going beyond the original intent of the law. Mr. Strowig pointed out that legislative intent is hard to define unless you were there and a part of the decision. The Chairman asked what their feelings were in regard to legislative review of rules and regulations which was initiated last session. Mr. Strowig explained that they are only in the process of drafting rules. The Chairman asked whether an opinion eventually becomes a rule and regulation. Mr. Hellebust stated some of the philosophies in an opinion might eventually show up in rules and regulations. He further stated that the Commission has operated on the basis that to set up rules and regulations was impossible until they knew what most of the questions might be.

The Chairman inquired how cases are selected for review, and Mr. Strowig stated they have used opposing candidates, districts of the same size, etc., but no general pattern.

A member inquired how he might acquire the opinions, Mr. Hellebust stated that Mr. Mills has a copy, and that they are also available in the office of the Secretary of State.

The Chairman explained that the charge to the Committee was to review the activities, operations and procedures concerning both campaign finance and governmental ethics; that there is no charge to take any action; that it was required to find out if the Commission is carrying out the duties assigned under the Act. He stated it appeared to him that members had acquainted themselves with the provisions of the law as evidenced by the questions. He inquired if they were operating with a full commission at this time, and Mr. Strowig stated they have the full 11-member Commission and a staff of four. In addition, he explained, they are authorized to hire part-time help. The Commission meets the third Wednesday of each month.

The Chairman asked if the law was complicated. Mr. Strowig stated that he spoke as an individual in saying that there are

certain areas in the law, that strictly interpreted, would not give any leeway and that some of the wording has posed some problems.

A member inquired when the new forms would be available. Mr. Hellebust stated their goal was to have them in the main the latter half of October, and for the lobbyists, the middle of September.

The Chairman inquired if they expect to recommend any legislative changes, and Mr. Strowig stated there are a number of things they are looking into and that he felt there would be some recommendations.

The Chairman inquired if Representative Feleciano had been able to discuss the opinion previously mentioned, with the Attorney General. Representative Feleciano stated that he had talked with the Attorney General but that John Martin had drafted the opinion and he was not available. He stated it was the attitude of the Attorney General, however, that if a Housing Authority bill is drafted along the lines of H.B. 2612, it would be unconstitutional.

The Chairman instructed the staff to proceed along the lines as previously instructed in the drafting of a proposed bill. He agreed that a new bill would incorporate some of the provisions of H.B. 2612, because there needed to be some place to start, but that there are so many major changes, it will be quite different. He stated that members would receive a draft prior to the next meeting; that on the first day of the September meeting, the Committee would try to finalize something concerning the Ethics Commission and then discuss the Housing proposal. Then the other proposals concerning the Affirmative Action plan would be discussed, and he expressed the hope that all of these things can be concluded in the two day meeting so staff could begin preparing the interim report.

The Chairman then called for reaction and comments concerning the activities of the Ethics Commission.

Senator Wilson stated that they have a lot of authority and he felt they were trying to perpetuate their job; that he does not feel all the reporting is needed.

Representative Ungerer explained that he is opposed to this concept and has been from the time the proposal was introduced; that he thinks, however, that Mr. Hellebust and the Commission have done a good job and he is not upset with them in any way; that they are extremely cooperative; that they have not overstepped any boundaries, but that the law is a miserable one and an over-reaction to Watergate.

Representative Anderson explained a situation which occurred during his last campaign where his opponent accepted illegal funds for his campaign, and stated that Mr. Hellebust did not help him but said an action would need to commence with the District Attorney. After discussion, it was determined that this was not a matter of violation of the Campaign Finance Law, but a different law, and therefore, not under the Ethics Commission's jurisdiction.

Senator Booth stated that he is appalled at the number of young people who have lost faith in the political process and are now taking interest in government only as independents; that all of these requirements and forms are a nuisance but that he believes it will eventually restore confidence; that at the state level we are paying the price for the things which happen in Washington and in other states, and the little people are paying the price for what the big people are doing to the consumer. He urged that we hang on to this and support it with the hope of restoring the faith in government.

The Chairman inquired how many members of the Committee had gone to the Secretary of State and asked to see specific reports. He was pleased to see that a majority had done so. Representative Feleciano stated that he agreed it is a hassle trying to condition the mind to all of the requirements, but on the other hand, no one asked the members to run. He explained that he wants to be a Representative and so he puts up with it; that the secret is in keeping records.

Representative Tom Slattery explained that he is probably the only member who has not run under other circumstances; that he agrees there are some problems but that much of the accounting is simply good business; that he finds some problems in the "in-kind" thing but the Commission is working on that. He stated he thinks it could be simplified somewhat. He complimented the Commission and stated he thinks the law is good legislation.

Representative Gastl stated at first he thought the Commission was overreaching, but now he believes they have done a commendable job; that if some of these things had not been pursued the law would have no meaning. He stated there may be some minor things that need to be changed but that in general it instills confidence.

The Chairman stated if the Commission is doing the job and not overstepping, then the interim report should reflect this, and Representative Gastl agreed.

Representative Cooper stated he is concerned that the general public has no concept about what we are trying to do. He stated that when local officers and national people don't have to conform it is not right. He stated that he does not think images can be rebuilt until everyone comes under the same requirements.

Representative Feleciano stated that the Kansas Legislature has done a lot of commendable work regarding "model" legislation; that it has worked out compromises and passed laws for the good of Kansas; that it is evident that no one in the United States has attempted to do what Kansas has tried to do in regard to ethics legislation and lobbyist control; that he thinks we need to establish communication with the people so they will know we have no control over what is going on in Washington and other states.

The Chairman stated that he is not accusing the news media for all of the ills because the day-to-day activities are not newsworthy, but the only thing the general public knows and hears about is the bad things, so they conclude everything is bad.

Representative Mikesic stated he has concluded that these ethics proposals and conflict of interest controls are not going to do anything to improve the government; that it depends upon the character of the person who runs. He stated that as far as the Commission is concerned, he believes it is of high caliber and he sees no indication of "witch hunts", but a change of personnel could make it vicious; that he would hope there would be the same kind of people in charge for the next five or ten years and this will help instill confidence in the democratic process.

The Chairman stated that members would have the minutes in a few days and should give ample time to let members be formulating their thoughts concerning the interim report. He requested members to be prepared to direct staff regarding the interim report at the next Committee meeting.

The meeting was adjourned.

Prepared by J. Russell Mills, Jr.

Approved by Committee on:

9-10-75

(Date)

PLG
Attachment
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BEFORE THE LEGISLATIVE SPECIAL COMMITTEE ON FEDERAL AND STATE AFFAIRS

INTRODUCTION

Solutions to Kansas housing shortages and dwelling substandardness are of major concern to planners trying to shape and influence the state's housing role. In defining this role, planners and policymakers should recognize a housing definition which includes three ingredients--the physical dwelling, the inhabitants and the environment (which includes the neighborhood, its services and facilities, and the community).

The purpose of this report regarding Proposal 18 in the 1975 Kansas legislative interim session is to provide the following information to the committee in the context of the three items listed above:

- background information on the need of providing housing for low and moderate-income Kansans;
- a review and evaluation of housing actions taken by other states;
- considerations to be weighed in drafting a state housing authority bill; and
- alternatives researched by the Division of State Planning and Research which the committee might consider.

Kansas Housing Needs

There appears to be some confusion regarding the extent of the housing shortage in various parts of Kansas. However, according to the best available data on the state's current housing stock, levels of housing production and overall statewide demographic and economic trends, there is a significant housing shortage or unavailability of housing that can be afforded by all income groups in certain regions of the state.

Recent estimates contained in the Future of Kansas Study and Kansas 2000, two documents compiled by the Division of State Planning and Research, indicate that 15,375 new housing units will have to be built yearly or a total of 461,000 units will have to be built by 2000 for Kansas to meet its housing needs by that year. The majority of these units will be needed in the eastern and extreme southwestern areas of Kansas.

Data compiled from the 1970 census and a 1972 Kansas Department of Economic Development study indicate that new housing construction in Kansas has not kept pace with population growth, modest though it is. Whereas in 1970 the Kansas population represented 1.11 per cent of the U.S. population, the state's per cent of new housing was only .73.

There are several reasons why a modestly growing state such as Kansas--with only an .8 per cent net population increase is expected by 2000--is experiencing a continuing housing shortage.

First, housing needs must be evaluated in the context of regional characteristics. Therefore, the need for housing is accelerating in urbanized eastern parts of Kansas and a modest increase in the far southwest.

Second, about 50 per cent of the state's housing stock was built before 1940, so many houses might benefit from rehabilitation.

Third, while the population of the state is expected to only slightly increase in the next generation, there will be proportionately more adults in urban and, especially rural areas, who will have an increasing need for inexpensive, yet standard, housing. Much of this adult need could be met by the construction of multi-family housing units. Presently, nearly 82 per cent of the current housing stock are single family dwellings, indicating the high value placed on single family units by Kansans.

Finally, six per cent of the existing housing in the state is substandard on the basis of certain physical characteristics. Some six per cent of the units occupied in 1970 were lacking some or all plumbing facilities; 5.9 per cent were overcrowded, having more than 1.01 persons per room; and 4.4 per cent lacked complete kitchen facilities. Besides physical considerations, housing problems are a function of the composition of the state's population. The elderly, the handicapped, the poor and minority groups are often shortchanged in the housing market, either because they cannot afford decent housing or because they are targets of discrimination. Housing costs, relative to income, have been rising rapidly and have also been affecting the purchasing power of middle income groups.

In the following table showing state housing needs by individual incomes for 1980 and 1990, over 60 per cent of the housing units are shown to be needed by households earning less than \$10,000 yearly. In fact, in the largest percentage by income class, 41 to 42 per cent of all units needed relate to families earning below \$7,000 annually.

INCOME RANGE	1980		1990	
	AMOUNT	PER CENT	AMOUNT	PER CENT
\$ 0 - \$ 7,000	\$38,708	42.0	\$ 78,358	41.3
\$ 7,000 - \$10,000	\$18,631	20.2	\$ 39,938	21.1
\$10,000 - \$15,000	\$20,289	22.0	\$ 42,516	22.4
\$15,000 plus	\$14,549	15.8	\$ 28,825	15.2
TOTAL	\$92,177	100.0	\$189,637	100.0

(Source: The Future of Kansas Study, p. 12-11.)

The role of housing is crucial to the future redevelopment and revitalization of urban and rural communities in Kansas. Industrial, as well as individual, location decisions often hinge on the availability of housing in smaller Kansas communities. All too frequently this type of housing is simply not available or few financial interests engaged in mortgage financing can or will finance moderate income housing in rural areas.

One of the major obstacles to making a more accurate assessment of state housing needs is the relative scarcity of reliable housing data concerning house construction and financing practices in rural and urban areas of the state.

Generally, the following data is needed, preferably collected yearly, for an accurate assessment of housing needs:

- data on building permits;
- data on removals and demolitions, remodelling and rehabilitation;
data on housing removals because of urban renewal or highway projects;
- substandard housing data;
- mobile home data, either included with building permit data or separate;
- public and private housing finance data;
- annual population counts
- migration figures

The State Planning and Research Division will be receiving a consultant report in the next few days which will recommend guidelines for establishing a housing information system for Kansas. Such a system would define a process for gathering housing data and information which would quantitatively describe housing problems and resulting needs in geographic areas of the state. Such as a centralized information source should be invaluable to the public and private sectors.

A Review of the Purposes and Track Records of State HFAs

To date, a total of 38 state housing finance authorities have been established (most recently in New Hampshire, Iowa and California). New York State established the first housing finance agency in 1960. By 1970, 12 more states had developed similar programs. And in the next three years, 13 additional states took similar action. With the exception of those states with no limit on their bonding capacity, their combined bonding capability is approximately \$6 billion.

Though state housing finance agencies finance their programs primarily through the issuance of tax exempt bonds, they also have the capacity to piggyback federal subsidy programs, most notably HUD's Section 8 and the Farmers Home Administration's Section 515 programs, to bring their units down to low and moderate-income levels. HUD has strongly encouraged the formation of state housing finance agencies and in the past has given them preference in the allocation of scarce federal housing subsidy funds.

Since they have tax-exempt status, HFA bonds are typically marketed to investors at more favorable interest rates than comparable long-term debt instruments sold in the private, corporate sector. Although this concept may work well in the short run, it may not produce a long-term solution to the problem of high interest rates if all or most states create similar agencies to attract capital away from the others.

There are just about as many variations in the amount of authority vested in HFAs by state legislatures as there are authorities themselves. Most authorities are empowered to make direct or indirect (through private financial interests) construction and permanent loans to developers of low-and moderate-income housing. Not all HFAs, however, only have the authority to make loans. Some may engage in a diverse range of housing-related activities, including the creation of mortgage insurance programs and secondary mortgage market operations.

The secondary mortgage purchase programs are intended to stimulate the construction of additional housing for families of modest incomes by releasing monies to lenders who pledge to re-lend the funds to finance subsidized housing constructed under one of the federal or state governments' housing subsidy programs. Generally, for each mortgage purchased by the particular authority, lenders are required to plow back the proceeds, thus increasing the turnover of limited low-income-oriented housing funds. There is a provision similar to this in the version of the bill you are now considering.

A variety of other powers are also available to many state housing finance authorities across the country. These include the power to develop; to establish state housing subsidy programs; to provide technical assistance to builders and developers, including market information; to provide advisory services to families, both with respect to new or improved housing and the proper maintenance of such housing; to promote research and development in scientific methods of constructing low-cost residential housing of high durability; and to provide financing for preconstruction costs through seed money loans, usually from special housing development funds.

While the avowed intent of most state legislatures in creating state HFAs has been to finance housing which could not otherwise be financed from conventional mortgage financing sources for the same income groups, it's important to note that the earliest projects of most operating agencies have been aimed at moderate-income suburban families. In fact, a recent analysis of three large state housing finance agencies indicated that 60 per cent of their units went to middle-income families in the suburbs and an average of only 30 per cent went to moderate and low-income urban and rural families.

Although a suburban start-up strategy is consistent with agency efforts to minimize long-term investment risk and to develop investor-confidence in agency securities, such an approach is not necessarily consistent with long-range state and regional goals for the geographical distribution and construction of low-and moderate-income housing. While some states, such as Iowa, are currently developing programs to meet these special needs, such investment considerations could continue to influence the geographical location of state financed housing and the socioeconomic groups at which the housing is targeted. In the attached article the author claims that because of their almost exclusive emphasis on housing finance rather than development and related activities, existing HFAs have typically assumed passive positions in the state housing picture, mainly processing applications for funding as they come in, but exerting little influence over the geographical distribution of housing within their states.

The issue of limited HFA powers conveniently leads to the topics of the bonding capacities and bond guarantee provision of state HFAs. Similar to the version of the bill you are considering, most HFA enabling legislation provide a debt limit for bonds and notes. While the \$100 million ceiling contemplated in this version is generally representative of most states' debt limitations, some agencies have unlimited borrowing authority and others comparatively high ceilings of \$5.1 billion (New York State HFA). The newly-created California Housing Finance Authority will have a bonding capacity of \$300 million on tax-exempt bonds, and \$150 million on taxable bonds, including permission to increase bonding to \$500 million through a referendum vote in November, 1976.

There are a number of approaches to securing agency issued bonds. The most common approach in recent years, and that proposed in the version you are considering, has been to create a reserve fund to secure the bonds by providing for sufficient state appropriations to back up an initial issue of agency obligations. The testimony you received last month from the representative of bond underwriting companies very adequately outlined the reasons for the increased popularity of this approach and the safeguards it affords. In fact, the reserve fund provision in the Oregon Housing Finance Authority Act, which closely resembles the provision contained in this version, was recently challenged and upheld as constitutional by the Oregon Supreme Court. Generally, reserves on the magnitude of eight per cent of the face amount of a bond issue are considered to be adequate security against potential foreclosure problems. Other approaches to securing bonds issued by state HFAs include: limiting the long-term lending activities of the agency to federally-insured mortgages; using the FHA insurance backed mortgages as security--an approach which may be used in conjunction with a reserve fund to give greater security (Missouri does this); and issuing taxable bonds with federal guarantees authorized under Section 802 of the Housing and Community Development Act of 1974. HUD is also authorized to provide grants to make up one-third of any higher interest costs encountered as a result of taking the taxable route. While HUD has yet to draft regulations for these provisions, the Senate Appropriations Committee recently authorized \$35 million for the program. Final funding details will be worked out in a House-Senate Conference on the measure. The Council of State Housing Agencies recently came out in favor of the appropriation, emphasizing that the tax-exempt bond market has suffered "disproportionately" from present tight credit and high interest rate conditions.

In summary, many state legislatures have created elaborate housing finance mechanisms, with various degrees of authority. A significant number of HFAs have had marginal impact on the construction and rehabilitation of low-income housing. At the same time, there have been concrete results from state HFA efforts (approximately 140,000 units had been financed and/or developed as of 1973). Most HFAs have taken a generally passive approach to dealing with urban and rural housing problems; and Kansas housing needs are most chronic in rural areas. Few, if any, state HFAs have actually taken steps to significantly affect the construction and geographical distribution of new low and moderate-income housing.

Suggestions

There appears to be a general consensus within the state on the need for greater state involvement in providing adequate housing for low and moderate-income families. With regard to the particular version of the HFA bill this committee is considering, the Division has several comments which the committee may wish to consider:

I. Construction and Geographical Distribution of Low and Moderate-Income Housing.

The record of the state HFAs in providing safe and decent housing for low and moderate-income families in locations that do not severely limit the

chances for success of the projects from the outset, suggests that it is essential that any legislation developed for the purpose of encouraging or assisting in the development and rehabilitation of low-income housing address the geographical distribution and concentration issues.

One approach to assuring the commitment of state HFAs to meeting low and moderate-income housing needs, and one used in recent legislation creating an Iowa HFA, has been to require that a certain percentage of the housing financed by the authority be for low and moderate-income groups. Since most state HFAs are not empowered to grant state financed subsidies but only funnel federal housing subsidy funds, a commitment of this nature would only make a Kansas Housing Finance Authority totally dependent upon the availability of existing federal subsidy funds to meet its legal quota. In the absence of a state subsidy provision, the committee could pursue three courses of action:

- 1) Include additional provisions in the bill which will serve to strengthen the commitment of the legislation to meet low and moderate-income housing needs. One approach would be to reconsider including a provision authorizing the authority to make seed money loans through lenders to non-profit or limited-profit developers of low and moderate-income housing to cover some of the high front-end costs incurred by developers, especially small developers, in the early stages of the development process.
- 2) Specific provisions might be included in the bill guaranteeing not only each state assisted project's market feasibility, but consistency with state, regional and local housing assistance plans and goals for the distribution of low and moderate-income units. HUD has well publicized its intent to evaluate housing subsidy applications on the basis of local housing assistance plans which are required of communities receiving federal Community Development funds and to give preference to applications which indicate only a portion of the assisted projects will include families on housing subsidies.

A similar provision would be included in the bill creating a Kansas HFA requiring consistency with local, regional and state housing plans and goals. This is particularly important for assuring the financing of rural low and moderate-income housing in instances where rural communities and areas of the state are not affected by the federal requirement.

- 3) A third alternative would be to identify low and moderate-income housing performance goals for the authority. The extent of the progress of the authority in meeting those goals would be addressed in the authority's annual report to the Governor, state treasurer and legislature already required under Section 16 of the version of the bill you are currently considering. While noncompliance with the goals would not invalidate any of the authority's obligation, continued failure on the part of the authority to meet such goals might be cause for study to determine both the adequacy of the goals and the authority's efforts to meet them.

II. Family Definition

Low and moderate-income families, as presently defined in the version of the bill you are considering, would most likely exclude certain individuals and families from receiving housing finance authority assistance because they do not meet the conventional definition of a nuclear, or partially nuclear, family. This would exclude any unrelated elderly, disabled or handicapped individuals who derive financial benefit from sharing a house or apartment with an unrelated individual. And in Kansas, as more young people move to urban areas of the state, single parents are often left behind to either live alone or with friends.

The Iowa HFA Act contains a far more inclusive definition of "families" who are qualified to receive assistance from the state authority. The definition makes eligible for assistance "...families consisting of a single person in the case of a person who is at least sixty-two years of age, is disabled, is handicapped, is displaced, or is the remaining member of a tenant family..." and "...two or more persons living together, who are at least sixty-two years of age, are disabled, or are handicapped, or one or more such individuals living with another person who is essential to such individual's care or well being." The Committee may wish to consider this type of more-inclusive definition which would allow the authority to more equitably address the housing needs of all low and moderate-income individuals in the state.

III. Appointment to Membership on the Authority

In order to assure the responsiveness of the authority to the special housing needs of the state's low and moderate-income individuals and families, the Committee may wish to consider the feasibility of including on the board of the authority potential consumers of the housing services it provides. This could include a representative(s) from one or more low and moderate-income groups, including elderly, handicapped, disabled and minority individuals.

Concluding Comments

The proposed housing finance authority would use the director and staff of the housing division of KDED as its secretary and staff. A separate HFA staff would be dysfunctional in terms of inter-agency coordination on housing planning and financing matters. As a result, a qualified and well-paid director and staff for the housing division are necessary preconditions for an effective and functional state housing finance authority, and for the development of an active and coordinated housing planning function in state government.

In its present form, the bill permits housing rehabilitation as an eligible activity. For years, rehabilitation has been recognized as a viable alternative to new development for meeting low and moderate-income housing needs. Unfortunately, state HFAs have traditionally devoted a disproportionate amount of their financing to new suburban housing. We feel that the 25% rehabilitation requirement already included in the bill under Section 9 will assure that rehabilitation is given adequate consideration for meeting low and moderate-income housing needs in Kansas.

We commend this committee and the legislature for the efforts to develop responsive and equitable legislation authorizing the creation of a state housing finance authority. The suggestions included in this testimony are intended to improve the capacity of such an authority to assist in the development and rehabilitation of low and moderate-income housing.

Because of the steady proliferation of state housing finance authorities issuing tax-exempt bonds to finance their lending and development activities, careful consideration over the long term must be given to alternative funding mechanisms for a Kansas housing finance authority. Recent reports indicate that there is still room in the tax-exempt bond market for the entry of still another HFA. Past experience would indicate, however, that this may not always be the case and alternative fiscal approaches should continue to be evaluated.

The Division of State Planning and Research offers any assistance you may require in further analysis of this proposal.

Summary of Testimony - Division of State Planning and ResearchA. Kansas Housing Needs

1. Regional in nature with variations due to population, structural age and mortgage finance availability (urban and southwestern high need);
2. 15,375 new housing units needed annually; 60% of which those earning less than \$10,000 a year in 1990 (1972 dollars);
3. Housing needs large for rural elderly, handicapped, disabled and low-income;
4. Rehabilitation of existing housing viable goal recognized in legislation;
5. Further need for collection of additional information on housing needs and supply.

B. Experiences of Other States With HFAs

1. 38 states have established housing finance activities;
2. Common powers include: secondary mortgage, direct or indirect loans to developers and seed money loans;
3. HFAs usually concentrated initially on middle-income suburban housing to assure investor confidence;
4. Made little attempt to affect geographical location of such units;
5. Most recently created HFAs have bonding limitation and reserve fund backing;
6. Taxable bond market represents new opportunities, if Federal funds are appropriated for interest differential.

C. Suggestions and Policy Considerations

1. Consider improving State commitment to low and moderate-income housing by:
 - a. providing seed money loans;
 - b. requiring state-assisted housing to be consistent with local and regional housing plans;
 - c. establish and assess achievement of performance goals for low and moderate-income housing;
2. Consider redefinition of low and moderate income families to include unrelated elderly, handicapped and disabled individuals;
3. Consider inclusion of potential consumers of housing services on authority board.

D. Conclusion

1. Strongly support use of KDED Housing Division to staff HFA;
2. Inclusion of rehabilitation as a method for meeting housing needs is a positive step;
3. Alternative financing mechanisms will need to continue to be reviewed in coming years.

Senator Arasmith, distinguished members of the Committee on Federal and State Affairs.

I am here today to respond to the housing problems facing Kansas and the proposed action on House Bill no. 2612.

In the last six months the Big Lakes RPC has conducted a housing study in the small cities of our region. This housing study raised some questions that could affect the final action on HB 2612.

My comments will be primarily concerned with rural community housing but may also be applicable to urban-neighborhood units.

After conducting the housing study in our region the following conditions were identified:

1. In rural communities the majority of housing - 76% are in standard condition (exterior only). 18% were found to be in need of minor repairs, 5% needed some major exterior work but were still considered repairable. Only 1% of our units were rated as dilapidated and should probably be replaced.
2. Housing condition is a transferable process in both directions. Current efforts seem to discourage movement toward standardization but toward replacement. This not only cost the individual more but creates a blighting condition on the town or neighborhood. The efforts related to new construction also tend to accelerate movement from small communities to larger ones due to a dis-economy in new construction in more rural communities.
3. There are no less than 26 federal programs currently in operation that address themselves to housing problems of various kinds. Most of these programs are not effectively used, due to a lack of knowledge by the potential recipient and to other economic factors that may also make a state program ineffective - interest rate, building costs, etc.
4. Housing is an individual issue. If an individual selects a certain type of housing situation or is

forced into it by economic factors - there is little any level of government can reasonable do above that currently available short of giving housing away. Information regarding available housing programs is difficult to come by even for our office much less a rural community resident.

Having identified these major areas by our study, our region is pursuing the development of a program to respond to some of these issues. I addressed a letter to Senator Arasmith regarding a proposal to develop an instrument to assist citizens and local units of government in evaluating their housing conditions and needs. This letter percipitated the invitation extended to me to speak to you today.

Having reviewed other regional housing studies, it is my conclusion that the development of accurate state-wide projections would be almost impossible. Thus, the development of state-wide housing policy may be based on unrealistic assumptions. A case in point is the housing element conducted by a well known consultant firm from Wichita in two of our region's counties in 1971. They found that 10% of the rural community housing to be dilapidated or condition 4. Our study indicated slightly over 1% in this condition. This is mostly due to a difference in defining dilapidated. To develop a regional housing strategy on these two findings, however may be difficult at best. The program in our region could vary in replacement cost from 82 units to 500 + units - at \$25,000/units \$2,000,000 or \$12,500,000. The difference could provide \$5,000 to rehabilitate 2,000 units.

(It is our view that of critical importance to housing in Kansas is the development of a instrument that accurately and consistantly gives the individual, local government, region and state an estimate of the cost to bring a sub-standard unit to standard condition and identifying those units needing replacement.) Without this information any policy may not be responsive to existing needs. Without this accurate inventory or evaluation a state program may be duplicating current federal programs.

It is my observation that rehabilitation has always been viewed as a low level action. Through this bias migration from small communities to larger ones has been encouraged. As rural communities are living centers not unlike the suburbs of Wichita, Kansas City or Topeka, we should develop some policy to maintain the existing housing in a standard or near standard condition. I do not support the belief that most rural communities of less than 500 population will disappear.

If a community is near an employment center and provides basic amenities of water, sewer, recreation and neighborhood services there will always be people interested in living in this size community if adequate housing is available.

The following is what our region would like to see the state develop in housing policy.

1. An evaluative tool that is usable at the individual or local level that when aggregated provides an accurate picture of housing condition - interior and exterior - and the cost of rehabilitation or replacement to a region or state.

2. An aggressive policy directed at educating individuals and communities of existing federal housing programs to optimize their use of these programs in Kansas.

3. Development of new approaches to housing such as rehabilitation loans to elderly homeowners to raise their homes' condition to a marketable condition when they leave the unit but does not add a high monthly cost to them while they are there. The remaining debt mortgage can be recovered when the property is sold.

4. The development of regional programs that can better answer local needs and provide grass roots orientation and funding. Some areas should and would concentrate on new construction while others should concentrate on rehabilitation. If the funds provided by a Housing Authority are divided by regions the more rural areas would have better opportunity to develop a program to meet their needs.

In conclusion the proposed legislation does have potentials for aiding the housing problem in Kansas. However, if implemented without recommendations similar to the ones I have outlined,

there appears a high probability of the development of a program duplicating current federal programs. If this happened we would be sacrificing local funds to attempt something that could be done with an aggressive educational program and current federal support.

I feel it critical that we see housing as an individual decision. If we can enhance the opportunities available to an individual and make him aware of these opportunities, he will select the home that best fits his needs and resources.

Thank you for this opportunity to express our viewpoint on Housing in Kansas. The Big Lakes RPC will continue to work towards better housing opportunities in our region at the lowest social and economic cost to our citizens.



Attachment III

STATE OF KANSAS

Office of the Attorney General

1st Floor, State Capitol Bldg. (913) 296-2215 Topeka, Kansas 66612

CURT T. SCHNEIDER
Attorney General

August 4, 1975

ATTORNEY GENERAL OPINION NO. 75- 315

Mr. James H. DeCoursey, Jr.
Acting Secretary
Kansas Department of Economic Development
1st Floor - State Office Building
Topeka, Kansas 66612

Re: Public Improvements--Internal Improvements---Sewers

Synopsis: The State may not obligate state funds to match federal funds available through grants under the Public Works and Economic Development Act of 1965 and amendments thereto, for projects which constitute "internal improvements" which are prohibited under Art. 11, § 9 of the Kansas Constitution.

* * *

Dear Mr. DeCoursey:

You inquire concerning the expenditure of state funds to match federal basis and supplemental grants for local economic development public improvements. We understand that the federal program is implemented under the Public Works and Economic Development Act of 1965, and subsequent amendments thereto, Title 42 U.S.C.A. §§ 3121 *et seq.* A new EDA program requires matching state funds for federal funds made available for public work improvements in local EDA-eligible areas in Kansas. The matching funds required from the state are equal to twenty-five percent of the federal dollars allocated to the state. The sum of \$106,000 having been allocated to Kansas, there has been appropriated \$26,500 pursuant to ch. 18, § 27, L. 1975. The federal funds which must be matched may be disbursed, you advise, for specifically approved projects authorized for

"public works, public service and development facility projects which directly or indirectly

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contribute to long-range economic growth or benefit long-term unemployed and members of low-income families in redevelopment areas and parts of economic development districts.

"Public works, public service and development facility projects which provide immediate useful work to the unemployed and under-employed of the project area."

These criteria, we judge, are expressive of the objective criteria for projects specified in Title 42, U.S.C.A. § 3131, whereunder basic and supplementary grants are authorized for the acquisition or development of land and improvements for public works, public service, or development facility usage, and for other specified purposes within a redevelopment area if

"(A) the project for which financial assistance is sought will directly or indirectly
(i) tend to improve the opportunities, in the area where such project is or will be located, for the successful establishment or expansion of industrial or commercial plants or facilities,
(ii) otherwise aid in the creation of additional long-term employment opportunities for such area, or
(iii) primarily benefit the long-term unemployed and members of low-income families or otherwise substantially further the objectives of the Economic Opportunity Act of 1964;

(B) the project for which a grant is requested will fulfill a pressing need of the area"

In addition, it is required that the area in which the project is undertaken have an approved overall economic development program, and in the case of a redevelopment area, that the project will provide immediate useful work to unemployed and underemployed persons in the area.

The first project proposed for funding is a sewer and street paving project in the Denton Industrial District in Arkansas City, Kansas. The development project entails the construction of 2,100 linear feet of secondary sewer laterals, and 4,300 linear feet of asphaltic street paving.

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The question presented is whether participation by the state in this project is permitted by Art. 11, § 9 of the Kansas Constitution, which provides thus:

"The state shall never be a party in carrying on any work of internal improvement except that: (1) It may adopt, construct, reconstruct and maintain a state system of highways, but no general property tax shall ever be laid nor general obligation bonds issued by the state for such highways; (2) it may be a party to flood control works and works for the conservation of development of water resources."

As originally adopted, the prohibition against internal improvements was absolute, with no exceptions for highways or water control and conservation. The Kansas Supreme Court spoke of the meaning of this prohibition thus in *Leavenworth County v. Miller*, 7 Kan. 479 (1871):

"The state as a state is absolutely prohibited from engaging in any works of internal improvement. We will concede that this prohibition does not extend to the building of a state-house, penitentiary, state university, and such other public improvements as are used exclusively by and for the State, as a sovereign corporation: but it does extend to every other species of public improvement. It certainly extends to the construction of every species of public improvement which is used, or may be used, by the public generally. . . . such as public roads, bridges, etc. . . . [I]t is prohibited from opening up or constructing any roads, highways, bridges, ferries, streets, sidewalks, pavements, wharfs, levees, drains, waterworks, gas-works, or the like" 7 Kan. at 493.

In *State ex rel. Boynton v. Atherton*, 139 Kan. 197, 30 P.2d 291 (1934), the court pointed out that Article 11, § 9 of the Kansas Constitution was drawn from the constitution of Wisconsin, and refers to *State ex rel. Jones v. Froelich*, 115 Wis. 32, 91 N.W. 115, 117, in which the validity of an appropriation to strengthen a levee system was called in question as an internal improvement and therefor unconstitutional. The court quotes from the case thus:

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"'In other cases the expression 'works of internal improvement' contained in constitutional prohibitions similar to ours, has been declared to include enterprises as follows: Dredging sand flats from a river (*Ryerson v. Utley*, 16 Mich. 269) deepening and straightening river (*Anderson v. Hill*, 54 Mich. 477, 20 N.W. 549); constructing or operating street railways (*Attorney-general v. Pingree*, 120 Mich. 550, 79 N.W. 814, 46 L.R.A. 407); telephone or telegraph lines (*Northwestern Tel Exch. Co. v. Chicago, M. & St. P. R. Co.*, 76 Minn. 334, 345, 79 N.W. 315); irrigation reservoirs (*In re Senate Resolution Relating to Appropriation of Moneys Belonging to Internal Impr. Fund*, 12 Colo. 287, 21 Pac. 484); roads, highways, bridges, ferries, streets, sidewalks, pavements, wharves, levees, drains, waterworks, gas works (*obiter, Leavenworth Co. v. Miller*, 7 Kan. 479, 493, 12 Am. Rep. 425); levees (*Alcorn v. Hamer*, 38 Miss. 652); improvement of Fox river (*Sloan v. State*, 51 Wis. 623, 632, 8 N.W. 393); levees and drains (*State v. Hastings*, 11 Wis. 448, 453).'"

The dictum in *Leavenworth County v. Miller*, 7 Kan. 479 (1871), that roads and highways constitute internal improvement was borne out in the holding of *State ex rel. Brewster v. Knapp*, 99 Kan. 852 (1917), in which the court held invalid an appropriation for the building of county roads, under the forerunner of the present Art. 11, § 9, in which the prohibition against internal improvements was absolute. The court there adverted to 4 *Words and Phrases*, p. 3718 *et seq.*, in which it found that the term "internal improvement" had been held to include a wagon bridge across the Platte river, public bridges, a water grist mill, an irrigation system, a petroleum pipe line, water power, and roads and highways.

If, of course, the prohibition against internal improvement extends to roads and highways, it extends, similarly, to streets, and part of the project in question involves the construction of a street. So long, however, as the street is part of the "state system of highways" as that phrase is used in Art. 11, § 9, expenditure of state funds for this part of the project is not prohibited.

A more technical and difficult question arises from the inclusion of sanitary sewer construction in the project. The sewer is obviously an "improvement." The question arises whether it is a "public improvement," to which the state may be a party, or an "internal improvement," to which the state may not be a party. The distinction between the two was observed in *State ex rel. Boynton v. State Highway Commission*, *supra*:

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"The term 'public improvements,' as used in section 5, meant public buildings which the state should need in carrying on its functions, such as the statehouse, state penal, educational and eleemosynary institutions (Wyandotte Constitutional Convention, p. 327), while the term 'internal improvements,' used in section 8, applied to turnpikes, canals and the like." 138 Kan. at 919.

Thus, student dormitories are "public improvements," and not "internal improvements." *State ex rel. Fatzer v. Board of Regents*, 167 Kan. 587, 207 P.2d 373 (1949). The term "public improvement" describes, basically, improvements to property owned and used by the state in the discharge of its duties and responsibilities as a sovereign corporation, and is restricted to state buildings and improvements associated therewith. The sewer improvement in question is not to be made on or for the benefit of state property, or to enable any particular state governmental agency to carry out its responsibilities. Projects undertaken for the improvement of the state's own property generally may be deemed to be public improvement. For example, a drainage control project for improvement of property of the Forestry, Fish and Game Commission might well be deemed a public improvement, see *State ex rel. Boynton v. Atherton*, *supra* at 209, while a drainage or flood control project for the general benefit of a river valley region would be a work of internal improvement, see *State ex rel. Brewster v. Knapp*, *supra* at 857.

The prohibition against "internal improvements" has not been eroded or qualified by construction and interpretation. As the cited cases make clear, the phrase has been broadly construed to assure the effectiveness of the prohibition.

We recognize the salutary purposes of the Public Works and Economic Development Act of 1965 and its amendments, and of state participation through matching funds. However, expediency is a poor ground for restricting the constitution. There was much support for projects during the Great Depression. As the Kansas Supreme Court stated in *State ex rel. Boynton v. Atherton*, *supra*, in 1934:

"The present severe and long-protracted economic depression calls for large drafts of legislative power for the relief of the poor, and this desideratum our constitution generously sanctions and encourages; but economic distress is not justification for ignoring the constitution itself." 139 Kan. at 210.

In this jurisdiction, the Kansas Supreme Court has been strictly faithful to the purpose and intent of the drafters of the Constitution, and in no case has it qualified the term "internal improvement." In *Yesler v. City of Seattle*, 1 Wash. 1015, 25 Pac. 1014 (1890), it was objected that the title of a legislative act, authorizing "cities and towns to construct internal improvements," did not fairly describe the body of the act, which referred to waterworks, sewers and artificial light plants. The court stated thus:

"Perhaps this is an original use of the term 'internal improvements.' It has certainly not been commonly applied to the improvements supposed to be made by cities for the benefit of their inhabitants, but has been employed more grandiloquently in reference to the improvement of highways and channels of travel and commerce in the statutes of congress and the state legislatures. And yet when under it our legislature particularizes water-works, sewers, and light plants, which certainly are in fact internal improvements relatively to the cities of the state, we do not deem the verbal criticism of sufficient weight to set aside the act." 25 Pac. at 1015.

In this state, the term has not been restricted to highways and channels of commerce. In *State ex rel. Coleman v. Kelly*, 71 Kan. 811, 81 Pac. 450 (1905), the court held that a proposed oil refinery authorized by legislation constituted an "internal improvement;" in addition, the court regarded the prohibition as expressive of a public policy, given constitutional embodiment, against entry by the state as a competitor of private enterprise in all lines of trade and commerce. Thus, for example, serious constitutional questions attend proposals for legislation authorizing state-owned resorts, which are commonly urged as a means to encourage particular commerce and economic growth in the state.


We cannot but conclude that the proposed sewer construction constitutes an "internal improvement" to which the state may not be a party. We understand that the itemized cost estimates of the project total \$34,060, of which twenty-five percent, the matching responsibility of the state, would be approximately \$7,000. The amount involved is indeed small. The relatively slight obligation of the state does not justify disregard of the constitutional prohibition, however. So far as we are advised, the project is

Mr. James H. DeCoursey, Jr.
Page Seven
August 4, 1975

supported by all concerned, and indeed, the eligibility of the state to participate in various EDA projects in the future may be of much benefit to affected eligible areas and communities of the state. However, as the court observed in *State ex rel. Boynton v. Atherton, supra*, the idea [that 'What's the constitution between friends?']. . . has not heretofore been put forward to justify an act of the legislature when its constitutionality has been called in question" 139 Kan. at 209-210.

The question remains whether the state is indeed a "party" to the proposed project. We can conceive of no more meaningful manner in which the state may be deemed to be a party to an undertaking than that it appropriates and obligates funds therefor. It is important to point out that there is no question involved here of the constitutionality of any state statute. The sole question is whether funds appropriated from the state general fund by ch. 18, § 27, L. 1975 for "matching public works and economic development grants" may be expended for projects which constitute "internal improvements" within the meaning of art. 11, § 9 of the Kansas Constitution. Clearly, they may not.

Yours very truly,


CURT T. SCHNEIDER
Attorney General

CTS:JRM:kj

The Honorable G. T. VanBebber, Chairman
Committee on Federal and State Affairs
House of Representatives
Third Floor, Statehouse

Attachment IV

Dear Representative VanBebber:

SUBJECT: Fiscal Note for House Bill No. 2612 by
Committee on Federal and State Affairs

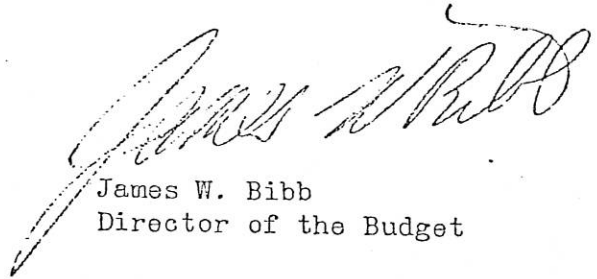
In accordance with K.S.A. 75-3715a, the following fiscal note concerning House Bill No. 2612 is respectfully submitted to your committee.

House Bill No. 2612 establishes a Kansas State Housing Finance Authority with authority to purchase mortgage loans, make loans to lending institutions, and issue notes and bonds to finance such purchases, and loans for the purpose of promoting low and moderate income housing production. The Housing Authority shall be composed of five members appointed for terms of five years by the Governor, three of whom have experience in home building, real estate, mortgage lending, commercial banking or architecture. The Director of the Division of Housing of the Department of Economic Development will be the secretary of the Authority and the staff of the Division of Housing will be the staff of the Authority. Members of the Authority shall not receive per diem compensation for the performance of their duties but shall receive travel and subsistence expenses.

The Kansas Department of Economic Development has prepared a Fiscal Note which presents alternative ways to analyze the fiscal impact of House Bill No. 2612. The first alternative is to set up a small housing division staff, appointing a housing authority, and preparing a plan for the future operation of a housing authority. This alternative is basically the same program which has been recommended in the FY 1976 Governor's Budget Report for the Department of Economic Development. A housing division within KDED is recommended by the Governor which includes a staff of a Director and a Secretary I to analyze the housing needs of Kansas and to prepare short term and long term housing plans for the state. The only additional monies (\$7,500) which would be necessary under the provisions of this act, is for travel expenses for the housing authority.

The second alternative presented by KDED would involve setting up the housing division as in the first alternative, appointing a housing authority, preparation and sale of housing bonds (including the establishment of a bond reserve fund), and initiating some of the provisions of the act. The total FY 1976 cost would be \$1,333,112. Of that amount \$126,670 would be for the salaries and wages and supporting expenses of a Director, Loan Officer, Bond Specialist, Research Analyst II, Secretary I, and an Accountant III; \$100,000 would be for consulting fees; \$2,000 for an audit fee; \$130,000 for special fees for issuing bonds; and \$1,000,000 for a total reserve and contingency fund. The grand total of this alternative would be \$1,363,170 which would be offset by subtracting the \$30,058 for the housing division which is contained in the FY 1976 Governor's Budget Report. The net cost of this alternative in FY 1976 would be \$1,333,112.

Any additional staff and operating costs to administer the provisions of this act would be authorized by legislative appropriation from the State General Fund and would be an addition to the amounts contained in the FY 1976 Governor's Budget Report.



James W. Bibb
Director of the Budget

JWB:LAB:emb

Table I

Section 8 Allocations by Regional Office

		<u>Metropolitan</u>	<u>Nonmetropolitan</u>	<u>Total</u>
Region I	Boston	45,773,000	11,242,000	57,015,000
Region II	New York	155,655,000	21,487,000	177,142,000
Region III	Philadelphia	77,895,000	24,863,000	102,758,000
Region IV	Atlanta	76,882,000	57,442,000	134,324,000
Region V	Chicago	136,755,000	38,632,000	175,387,000
Region VI	Dallas	47,250,000	25,537,000	72,787,000
Region VII	Kansas City	21,870,000	19,350,000	41,220,000
Region VIII	Denver	9,923,000	9,968,000	19,891,000
Region IX	San Francisco	87,480,000	10,485,000	97,965,000
Region X	Seattle	13,028,000	8,483,000	21,511,000
	Total	672,511,000	227,489,000	900,000,000

MAXIMUM ADJUSTED INCOME FOR LOW-INCOME FAMILIES

<u>STATE</u>	<u>MAXIMUM ADJUSTED INCOME</u>	<u>STATE</u>	<u>MAXIMUM ADJUSTED INCOME</u>
Alabama.....	\$ 8,500	Nevada.....	\$ 8,500
Arizona	8,500	New Hampshire...	8,500
Arkansas.....	8,500	New Jersey.....	8,500
California	8,500	New Mexico	8,500
Colorado	8,500	New York	8,500
Connecticut.....	8,500	North Carolina....	8,500
Delaware.....	8,500	North Dakota	8,500
Florida.....	8,500	Ohio.....	8,500
Georgia	8,500	Oklahoma	8,500
Idaho.....	8,500	Oregon.....	8,500
Illinois	8,500	Pennsylvania	8,500
Indiana.....	8,500	Puerto Rico	8,500
Iowa	8,500	Rhode Island.....	8,500
Kansas.....	8,500	South Carolina....	8,500
Kentucky	8,500	South Dakota.....	8,500
Louisiana.....	8,500	Tennessee.....	8,500
Maine.....	8,500	Texas.....	8,500
Maryland.....	8,500	Utah.....	8,500
Massachusetts ...	8,500	Vermont	8,500
Michigan	8,500	Virginia.....	8,500
Minnesota	8,500	Virgin Islands	8,500
Mississippi.....	8,500	Washington.....	8,500
Missouri	8,500	West Virginia.....	8,500
Montana	8,500	Wisconsin.....	8,500
Nebraska.....	8,500	Wyoming.....	8,500
Hawaii	10,200	Alaska.....	12,600

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ADJUSTED INCOME =

GROSS INCOME

- 5%

- \$300 FOR EACH

MINOR UNDER 18

MAXIMUM ADJUSTED INCOME FOR MODERATE-INCOME FAMILIES

<u>STATE</u>	<u>MAXIMUM ADJUSTED INCOME</u>	<u>STATE</u>	<u>MAXIMUM ADJUSTED INCOME</u>
Alabama.....	\$10,300	New Mexico.....	\$10,900
Arizona.....	12,800	New York.....	12,900
Arkansas.....	10,200	North Carolina.....	11,500
California.....	12,900	North Dakota.....	11,500
Hawaii.....	13,500	Ohio.....	12,900
Nevada.....	12,900	Oklahoma.....	10,300
Colorado.....	12,900	Oregon.....	12,900
Florida.....	11,700	Alaska.....	16,500
Georgia.....	11,600	Pennsylvania.....	12,900
Idaho.....	12,300	South Carolina.....	11,500
Illinois.....	12,900	South Dakota.....	11,000
Indiana.....	12,900	Tennessee.....	10,400
Iowa.....	12,800	Texas.....	11,400
Kansas.....	11,900	Utah.....	12,600
Kentucky.....	10,200	Vermont.....	12,900
Louisiana.....	10,800	Connecticut.....	12,900
Maine.....	12,200	Massachusetts...	12,900
Michigan.....	12,900	New Hampshire..	12,900
Minnesota.....	12,500	Rhode Island.....	12,900
Mississippi.....	10,200	Virginia.....	12,100
Missouri.....	11,500	Washington.....	12,900
Montana.....	12,700	West Virginia.....	10,700
Nebraska.....	11,500	Wisconsin.....	12,900
Delaware.....	12,900	Wyoming.....	12,900
New Jersey...	12,900	Puerto Rico.....	10,200
Maryland.....	12,900	Virgin Islands ...	12,900

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SECTION 8 FAMILY INCOME LIMIT COMPUTATIONS RELATED TO 1974 MEDIAN INCOMES
 SMSAS WITHIN THE INSURING JURISDICTION
 TOPEKA, KANSAS INSURING OFFICE

68220000 4000
 3000 3

	ONE	TWO	THREE	FOUR	FIVE	SIX	SEVEN	EIGHT +
MEDIAN INCOME - \$12651 TOPEKA, KS <i>SK</i>								
LOWER INCOMES	4350	5100	5100	10100	10750	11400	12000	12650
VERY LOW INCOMES	3800	5050	5700	6350	6850	7350	7850	8350
MEDIAN INCOME - \$120321 WICHITA, KS <i>OK</i>								
LOWER INCOMES	6000	7700	8650	9650	10250	10850	11450	12050
VERY LOW INCOMES	3600	4900	5400	6000	6500	7000	7450	7950

*Topeka including
 Jefferson county
 Osage " "
 Shawnee " "*

*Wichita including
 Butler county
 Sedgewick " "*

8-8-75

Mr. Mills:

Pursuant to our telephone conversation, I am enclosing Income Limits for our Section 8 Program.

Fred A. Mann, Director
 Topeka Ins. Office

FEDERAL RESERVE BANK
 RECEIVED
 APR 11 1975
 BY _____
 REFERRED TO _____

SECTION 8 FAMILY INCOME LIMIT COMPUTATIONS RELATED TO 1974 MEDIAN INCOMES
 NON METROPOLITAN COUNTIES WITHIN THE INSURING JURISDICTION
 TOPEKA, KANSAS INSURING OFFICE

		ONE	TWO	NUMBER OF PERSONS PER FAMILY (THREE	FOUR	FIVE	SIX	SEVEN	EIGHT +
ALLEN	(MEDIAN INCOME - \$ 8474)								
LOWER INCOMES	L	4250	5400	6100	6800	7200	7650	8050	8450
VERY LOW INCOMES		2550	3400	3800	4250	4600	4900	5250	5600
ANDERSON	(MEDIAN INCOME - \$ 7961)								
LOWER INCOMES	L	4000	5100	5750	6350	6750	7150	7550	7950
VERY LOW INCOMES		2400	3200	3600	4000	4300	4600	4950	5250
ATCHISON	(MEDIAN INCOME - \$ 10094)								
LOWER INCOMES	OK	5050	6450	7250	8100	8600	9100	9600	10100
VERY LOW INCOMES		3050	4050	4550	5050	5450	5850	6250	6650
BARBER	(MEDIAN INCOME - \$ 10525)								
LOWER INCOMES	OK	5250	6750	7600	8400	8950	9450	10000	10550
VERY LOW INCOMES		3150	4200	4750	5250	5700	6100	6550	6950
BARTON	(MEDIAN INCOME - \$ 10842)								
LOWER INCOMES	OK	5400	6950	7800	8650	9200	9750	10300	10850
VERY LOW INCOMES		3250	4350	4900	5400	5850	6300	6700	7150
BOGARD	(MEDIAN INCOME - \$ 9196)								
LOWER INCOMES	L	4600	5900	6600	7350	7800	8300	8750	9200
VERY LOW INCOMES		2750	3700	4150	4600	4950	5350	5700	6050
BROAD	(MEDIAN INCOME - \$ 9095)								
LOWER INCOMES		4550	5800	6550	7300	7750	8200	8650	9100
VERY LOW INCOMES		2750	3650	4100	4550	4900	5300	5650	6000
CHASE	(MEDIAN INCOME - \$ 8299)								
LOWER INCOMES		4150	5300	6000	6650	7050	7450	7900	8300
VERY LOW INCOMES		2500	3300	3750	4150	4500	4800	5150	5500
CHAUTAUQUA	(MEDIAN INCOME - \$ 7254)								
LOWER INCOMES		4000	5100	5800	6400	6800	7200	7600	8000
VERY LOW INCOMES		2200	2900	3250	3650	3900	4200	4500	4800
CHEROKEE	(MEDIAN INCOME - \$ 9139)								
LOWER INCOMES		4550	5850	6600	7300	7750	8250	8700	9150
VERY LOW INCOMES		2750	3650	4100	4550	4950	5300	5650	6000
CHEYENNE	(MEDIAN INCOME - \$ 9270)								
LOWER INCOMES		4650	5950	6650	7400	7900	8350	8800	9250
VERY LOW INCOMES		2800	3700	4150	4650	5000	5400	5750	6100
CLARK	(MEDIAN INCOME - \$ 9913)								
LOWER INCOMES		4950	6350	7150	7950	8450	8900	9400	9900
VERY LOW INCOMES		2950	3950	4450	4950	5350	5750	6150	6550

SECTION 8 FAMILY INCOME LIMIT COMPUTATIONS RELATED TO 1974 MEDIAN INCOMES
 NON METROPOLITAN COUNTIES WITHIN THE INSURING JURISDICTION
 TOPEKA, KANSAS INSURING OFFICE

	ONE	TWO	THREE	FOUR	FIVE	SIX	SEVEN	EIGHT +
LAY (MEDIAN INCOME - \$ 9072)								
LOWER INCOMES	4550	5000	6550	7250	7700	8150	8600	9050
VERY LOW INCOMES	2700	3650	4100	4550	4900	5250	5600	6000
LOUD (MEDIAN INCOME - \$ 9531)								
LOWER INCOMES	4750	6100	6850	7600	8100	8600	9050	9550
VERY LOW INCOMES	2850	3600	4500	4750	5150	5550	5900	6300
OFFEY (MEDIAN INCOME - \$ 7716)								
LOWER INCOMES	4000	5100	5800	6400	6800	7200	7600	8000
VERY LOW INCOMES	2300	3100	3450	3850	4150	4500	4800	5100
MANCHE (MEDIAN INCOME - \$ 9167)								
LOWER INCOMES	4600	5850	6600	7350	7800	8250	8700	9150
VERY LOW INCOMES	2750	3650	4150	4600	4950	5300	5700	6050
WLEY (MEDIAN INCOME - \$ 10621)								
LOWER INCOMES	5300	6800	7650	8500	9050	9550	10100	10600
VERY LOW INCOMES	3200	4250	4800	5300	5750	6150	6600	7000
AMFORD (MEDIAN INCOME - \$ 8375)								
LOWER INCOMES	4200	5350	6050	6700	7100	7550	7950	8400
VERY LOW INCOMES	2500	3350	3750	4200	4500	4850	5200	5550
CATOR (MEDIAN INCOME - \$ 9102)								
LOWER INCOMES	4550	5850	6550	7300	7750	8200	8650	9100
VERY LOW INCOMES	2750	3650	4100	4550	4900	5300	5650	6000
CKINSON (MEDIAN INCOME - \$ 9464)								
LOWER INCOMES	4750	6050	6800	7550	8050	8500	9000	9450
VERY LOW INCOMES	2850	3600	4250	4750	5100	5500	5850	6250
IPHAN (MEDIAN INCOME - \$ 10048)								
LOWER INCOMES	5000	6450	7250	8050	8550	9050	9550	10050
VERY LOW INCOMES	3000	4000	4500	5000	5450	5850	6250	6650
GLIS (MEDIAN INCOME - \$ 12033)								
LOWER INCOMES	6000	7700	8850	9650	10250	10850	11450	12050
VERY LOW INCOMES	3600	4800	5400	6000	6500	7000	7450	7950
ARDS (MEDIAN INCOME - \$ 11330)								
LOWER INCOMES	5650	7250	8150	9050	9650	10200	10750	11350
VERY LOW INCOMES	3400	4550	5100	5650	6100	6550	7000	7500
(MEDIAN INCOME - \$ 7004)								
LOWER INCOMES	4000	5100	5800	6400	6800	7200	7600	8000
VERY LOW INCOMES	2100	2800	3150	3500	3800	4050	4350	4600

SECTION 8 FAMILY INCOME LIMIT COMPUTATIONS RELATED TO 1974 MEDIAN INCOMES
 NON METROPOLITAN COUNTIES WITHIN THE INSURING JURISDICTION
 TOPEKA, KANSAS INSURING OFFICE

	ONE	TWO	THREE	FOUR	FIVE	SIX	SEVEN	EIGHT +
ELLIS (MEDIAN INCOME = \$10626)								
LOWER INCOMES	5300	6800	7650	8500	9050	9550	10100	10650
VERY LOW INCOMES	3200	4250	4800	5300	5750	6150	6600	7000
ELLSWORTH (MEDIAN INCOME = \$ 8223)								
LOWER INCOMES	4100	5250	5900	6600	7000	7400	7800	8200
VERY LOW INCOMES	2450	3300	3700	4100	4450	4750	5100	5450
FINNEY (MEDIAN INCOME = \$11852)								
LOWER INCOMES	5950	7600	8550	9500	10050	10650	11250	11850
VERY LOW INCOMES	3550	4750	5350	5950	6400	6850	7350	7800
FORD (MEDIAN INCOME = \$11254)								
LOWER INCOMES	5650	7200	8100	9000	9550	10150	10700	11250
VERY LOW INCOMES	3400	4500	5050	5650	6100	6550	7000	7450
FRANKLIN (MEDIAN INCOME = \$ 9822)								
LOWER INCOMES	4900	6300	7050	7850	8350	8850	9350	9800
VERY LOW INCOMES	2950	3950	4400	4900	5300	5700	6100	6500
GEARY (MEDIAN INCOME = \$ 9420)								
LOWER INCOMES	4700	6050	6800	7550	8000	8500	8950	9400
VERY LOW INCOMES	2850	3750	4250	4700	5100	5450	5850	6200
GOVE (MEDIAN INCOME = \$ 8237)								
LOWER INCOMES	4100	5250	5950	6600	7000	7400	7850	8250
VERY LOW INCOMES	2450	3300	3700	4100	4450	4800	5100	5450
GRAHAM (MEDIAN INCOME = \$ 8744)								
LOWER INCOMES	4350	5600	6300	7000	7450	7850	8300	8750
VERY LOW INCOMES	2600	3500	3950	4350	4700	5050	5400	5750
GRANT (MEDIAN INCOME = \$11364)								
LOWER INCOMES	5700	7250	8200	9100	9650	10250	10800	11350
VERY LOW INCOMES	3400	4550	5100	5700	6150	6600	7050	7500
GRAY (MEDIAN INCOME = \$10617)								
LOWER INCOMES	5300	6800	7650	8500	9000	9550	10100	10600
VERY LOW INCOMES	3200	4250	4800	5300	5750	6150	6600	7000
GREENE (MEDIAN INCOME = \$ 9965)								
LOWER INCOMES	5000	6400	7150	7950	8450	8950	9450	9950
VERY LOW INCOMES	3000	4000	4500	5000	5400	5800	6200	6600
GREENWOOD (MEDIAN INCOME = \$ 7656)								
LOWER INCOMES	4000	5100	5800	6400	6800	7200	7600	8000
VERY LOW INCOMES	2300	3050	3450	3850	4150	4450	4750	5050

SECTION 8 FAMILY INCOME LIMIT COMPUTATIONS RELATED TO 1974 MEDIAN INCOMES
 NON METROPOLITAN COUNTIES WITHIN THE INSURING JURISDICTION
 TOPEKA, KANSAS INSURING OFFICE

	ONE	TWO	THREE	FOUR	FIVE	SIX	SEVEN	EIGHT +
HAMILTON (MEDIAN INCOME - \$10386)								
LOWER INCOMES	5200	6650	7500	8300	8850	9350	9850	10400
VERY LOW INCOMES	3100	4150	4650	5200	5600	6000	6450	6850
HARPER (MEDIAN INCOME - \$ 9636)								
LOWER INCOMES	4600	6150	6950	7700	8200	8650	9150	9650
VERY LOW INCOMES	2900	3850	4350	4600	5200	5600	6000	6350
HARVEY (MEDIAN INCOME - \$11510)								
LOWER INCOMES	5750	7350	8300	9200	9800	10350	10950	11500
VERY LOW INCOMES	3450	4600	5200	5750	6200	6700	7150	7600
HASKELL (MEDIAN INCOME - \$11302)								
LOWER INCOMES	5650	7250	8150	9050	9600	10150	10750	11300
VERY LOW INCOMES	3400	4500	5100	5650	6100	6550	7000	7450
HODGEMAN (MEDIAN INCOME - \$ 9236)								
LOWER INCOMES	4600	5900	6850	7400	7850	8300	8750	9250
VERY LOW INCOMES	2750	3700	4150	4600	5000	5350	5750	6100
HOCKESSON (MEDIAN INCOME - \$10946)								
LOWER INCOMES	5450	7000	7900	8750	9300	9850	10400	10950
VERY LOW INCOMES	3300	4400	4950	5450	5900	6350	6800	7200
HOBELI (MEDIAN INCOME - \$ 9220)								
LOWER INCOMES	4600	5900	6850	7400	7850	8300	8750	9200
VERY LOW INCOMES	2750	3700	4150	4600	5000	5350	5700	6100
HORNBY (MEDIAN INCOME - \$10367)								
LOWER INCOMES	5200	6650	7450	8300	8800	9350	9850	10350
VERY LOW INCOMES	3100	4150	4650	5200	5600	6000	6450	6850
HUGHMAN (MEDIAN INCOME - \$ 9113)								
LOWER INCOMES	4650	5850	6550	7300	7750	8200	8650	9100
VERY LOW INCOMES	2750	3650	4100	4550	4900	5300	5650	6000
IOWA (MEDIAN INCOME - \$11551)								
LOWER INCOMES	5800	7400	8300	9250	9800	10400	10950	11550
VERY LOW INCOMES	3450	4600	5200	5800	6250	6700	7150	7600
JABETTE (MEDIAN INCOME - \$ 9737)								
LOWER INCOMES	4650	6250	7000	7600	8300	8750	9250	9750
VERY LOW INCOMES	2900	3900	4400	4850	5250	5650	6050	6450
JANE (MEDIAN INCOME - \$ 9409)								
LOWER INCOMES	4700	6000	6750	7550	8000	8450	8950	9400
VERY LOW INCOMES	2800	3750	4250	4700	5100	5450	5850	6200

SECTION B FAMILY INCOME LIMIT COMPUTATIONS RELATED TO 1974 MEDIAN INCOMES
 NON METROPOLITAN COUNTIES WITHIN THE INSURING JURISDICTION
 TOPEKA, KANSAS INSURING OFFICE

	ONE	TWO	NUMBER OF PERSONS PER FAMILY THREE	FOUR	FIVE	SIX	SEVEN	EIGHT +
S LEAVENWORTH (MEDIAN INCOME - \$13237)								
LOWER INCOMES	6600	8450	9550	10600	11250	11900	12600	13250
VERY LOW INCOMES	3950	5300	5950	6800	7150	7700	8200	8750
S LINCOLN (MEDIAN INCOME - \$ 8386)								
LOWER INCOMES	4200	5350	6050	6700	7150	7550	7950	8400
VERY LOW INCOMES	2500	3350	3750	4200	4550	4850	5200	5550
S LINN (MEDIAN INCOME - \$ 9611)								
LOWER INCOMES	4800	6150	6900	7700	8150	8650	9150	9600
VERY LOW INCOMES	2900	3850	4300	4800	5200	5550	5950	6350
S LOGAN (MEDIAN INCOME - \$10876)								
LOWER INCOMES	5450	6950	7650	8700	9250	9800	10350	10900
VERY LOW INCOMES	3250	4350	4900	5450	5850	6300	6750	7200
S LYON (MEDIAN INCOME - \$10381)								
LOWER INCOMES	5200	6650	7450	8300	8800	9350	9850	10400
VERY LOW INCOMES	3100	4150	4650	5200	5600	6000	6450	6850
S MCPHERSON (MEDIAN INCOME - \$11031)								
LOWER INCOMES	5500	7050	7950	8800	9400	9950	10500	11050
VERY LOW INCOMES	3300	4400	4950	5500	5950	6400	6850	7300
S MARION (MEDIAN INCOME - \$ 8472)								
LOWER INCOMES	4250	5400	6100	6800	7200	7600	8050	8450
VERY LOW INCOMES	2550	3400	3800	4250	4550	4900	5250	5600
S MARSHALL (MEDIAN INCOME - \$ 8770)								
LOWER INCOMES	4400	5600	6350	7000	7450	7900	8350	8750
VERY LOW INCOMES	2650	3500	3950	4400	4750	5100	5450	5800
S MEADE (MEDIAN INCOME - \$10552)								
LOWER INCOMES	5300	6750	7500	8450	8950	9500	10000	10550
VERY LOW INCOMES	3150	4200	4750	5300	5700	6100	6550	6950
S MIAMI (MEDIAN INCOME - \$11206)								
LOWER INCOMES	5600	7150	8050	8950	9550	10100	10650	11200
VERY LOW INCOMES	3350	4500	5050	5600	6050	6500	6950	7400
S MITCHELL (MEDIAN INCOME - \$ 8959)								
LOWER INCOMES	4500	5750	6450	7150	7600	8050	8500	8950
VERY LOW INCOMES	2700	3600	4050	4500	4850	5200	5550	5900
S MONTGOMERY (MEDIAN INCOME - \$ 9397)								
LOWER INCOMES	4700	6000	6750	7500	8000	8450	8950	9400
VERY LOW INCOMES	2800	3750	4250	4700	5050	5450	5850	6200

SECTION B FAMILY INCOME LIMIT COMPUTATIONS RELATED TO 1974 MEDIAN INCOMES
 NON METROPOLITAN COUNTIES WITHIN THE INSURING JURISDICTION
 TOPEKA, KANSAS INSURING OFFICE

	ONE	TWO	THREE	FOUR	FIVE	SIX	SEVEN	EIGHT +
DORRIS (MEDIAN INCOME = \$ 9719)								
LOWER INCOMES	4850	6200	7000	7800	8250	8750	9250	9700
VERY LOW INCOMES	2900	3900	4350	4850	5250	5650	6050	6400
DORTON (MEDIAN INCOME = \$12864)								
LOWER INCOMES	6450	8250	9250	10300	10950	11600	12200	12850
VERY LOW INCOMES	3850	5150	5800	6450	6950	7450	8000	8500
MAHA (MEDIAN INCOME = \$ 8759)								
LOWER INCOMES	4400	5600	6300	7000	7450	7900	8300	8750
VERY LOW INCOMES	2650	3500	3950	4400	4750	5100	5450	5800
DUSHO (MEDIAN INCOME = \$10028)								
LOWER INCOMES	5000	6400	7200	8000	8500	9050	9550	10050
VERY LOW INCOMES	3000	4000	4500	5000	5400	5800	6200	6600
SS (MEDIAN INCOME = \$ 8117)								
LOWER INCOMES	4050	5200	5850	6500	6900	7300	7700	8100
VERY LOW INCOMES	2450	3250	3650	4050	4400	4700	5050	5350
DORTON (MEDIAN INCOME = \$10209)								
LOWER INCOMES	5100	6550	7350	8150	8700	9200	9700	10200
VERY LOW INCOMES	3050	4100	4600	5100	5500	5900	6350	6750
BORNE (MEDIAN INCOME = \$ 8636)								
LOWER INCOMES	4300	5550	6200	6900	7350	7750	8200	8650
VERY LOW INCOMES	2600	3450	3900	4300	4650	5000	5350	5700
TAMA (MEDIAN INCOME = \$ 9137)								
LOWER INCOMES	4550	5850	6600	7300	7750	8200	8700	9150
VERY LOW INCOMES	2750	3650	4100	4550	4950	5300	5650	6050
WNEP (MEDIAN INCOME = \$10272)								
LOWER INCOMES	5150	6550	7400	8200	8750	9250	9750	10250
VERY LOW INCOMES	3100	4100	4600	5150	5550	5950	6350	6800
ILLIPS (MEDIAN INCOME = \$ 9012)								
LOWER INCOMES	4500	5750	6500	7200	7650	8100	8550	9000
VERY LOW INCOMES	2700	3600	4050	4500	4850	5250	5600	5950
ITAWATOMIE (MEDIAN INCOME = \$ 9011)								
LOWER INCOMES	4500	5750	6500	7200	7650	8100	8550	9000
VERY LOW INCOMES	2700	3600	4050	4500	4850	5250	5600	5950
ATT (MEDIAN INCOME = \$10975)								
LOWER INCOMES	5500	7000	7900	8500	9350	9900	10450	11000
VERY LOW INCOMES	3300	4400	4950	5500	5950	6350	6800	7250

SECTION 8 FAMILY INCOME LIMIT COMPUTATIONS RELATED TO 1974 MEDIAN INCOMES
 NON METROPOLITAN COUNTIES WITHIN THE INSURING JURISDICTION
 TOPEKA, KANSAS INSURING OFFICE

	ONE	TWO	THREE	FOUR	FIVE	SIX	SEVEN	EIGHT +
AWLINS (MEDIAN INCOME = \$ 8055)								
LOWER INCOMES	4050	5150	5800	6450	6850	7250	7650	8050
VERY LOW INCOMES	2400	3200	3600	4050	4350	4650	5000	5300
ENO (MEDIAN INCOME = \$11062)								
LOWER INCOMES	5550	7100	7950	8850	9400	9950	10500	11050
VERY LOW INCOMES	3300	4400	5000	5550	5950	6400	6850	7300
EPUBLIC (MEDIAN INCOME = \$ 8701)								
LOWER INCOMES	4350	5550	6250	6950	7400	7850	8250	8700
VERY LOW INCOMES	2600	3500	3900	4350	4700	5050	5400	5750
ICE (MEDIAN INCOME = \$ 9823)								
LOWER INCOMES	4900	6300	7050	7850	8350	8850	9350	9800
VERY LOW INCOMES	2950	3950	4400	4900	5300	5700	6100	6500
ILEY (MEDIAN INCOME = \$10294)								
LOWER INCOMES	5150	6000	7400	8250	8750	9250	9800	10300
VERY LOW INCOMES	3100	4100	4650	5150	5550	5950	6400	6800
OOKS (MEDIAN INCOME = \$ 9845)								
LOWER INCOMES	4900	6300	7100	7900	8350	8850	9350	9850
VERY LOW INCOMES	2950	3950	4450	4900	5300	5700	6100	6500
USH (MEDIAN INCOME = \$ 8625)								
LOWER INCOMES	4300	5500	6200	6900	7350	7750	8200	8650
VERY LOW INCOMES	2600	3450	3900	4300	4650	5000	5350	5700
USSELL (MEDIAN INCOME = \$10073)								
LOWER INCOMES	5050	6450	7250	8050	8550	9050	9550	10050
VERY LOW INCOMES	3000	4050	4550	5050	5450	5850	6250	6650
ALINE (MEDIAN INCOME = \$10934)								
LOWER INCOMES	5450	7000	7850	8750	9300	9850	10400	10950
VERY LOW INCOMES	3300	4350	4900	5450	5900	6350	6800	7200
COTT (MEDIAN INCOME = \$10622)								
LOWER INCOMES	5400	6950	7800	8650	9200	9750	10300	10800
VERY LOW INCOMES	3250	4350	4850	5400	5850	6300	6700	7150
EWARD (MEDIAN INCOME = \$12276)								
LOWER INCOMES	6150	7850	8850	9800	10450	11050	11650	12300
VERY LOW INCOMES	3700	4900	5550	6150	6650	7100	7600	8100
ERIAN (MEDIAN INCOME = \$ 8306)								
LOWER INCOMES	4150	5300	6000	6650	7050	7500	7900	8300
VERY LOW INCOMES	2500	3300	3750	4150	4500	4800	5150	5500

SECTION 8 FAMILY INCOME LIMIT COMPUTATIONS RELATED TO 1974 MEDIAN INCOMES
 NON METROPOLITAN COUNTIES WITHIN THE INSURING JURISDICTION
 TOPEKA, KANSAS INSURING OFFICE

	ONE	TWO	THREE	FOUR	FIVE	SIX	SEVEN	EIGHT
S SHERMAN (MEDIAN INCOME - \$10444)								
LOWER INCOMES	5200	6700	7500	8350	8900	9400	9900	10450
VERY LOW INCOMES	3150	4200	4700	5200	5650	6050	6500	6900
S SMITH (MEDIAN INCOME - \$ 8318)								
LOWER INCOMES	4150	5300	6000	6650	7050	7500	7900	8300
VERY LOW INCOMES	2500	3350	3750	4150	4500	4800	5150	5500
S STAFFORD (MEDIAN INCOME - \$10548)								
LOWER INCOMES	5300	6750	7600	8450	9000	9500	10050	10550
VERY LOW INCOMES	3150	4250	4750	5300	5700	6150	6550	6950
S STANTON (MEDIAN INCOME - \$10140)								
LOWER INCOMES	5050	6500	7300	8100	8600	9150	9650	10150
VERY LOW INCOMES	3050	4050	4550	5050	5500	5900	6300	6700
S STEVENS (MEDIAN INCOME - \$11632)								
LOWER INCOMES	5800	7450	8400	9300	9900	10450	11050	11650
VERY LOW INCOMES	3500	4650	5250	5800	6300	6750	7200	7700
S SUMNER (MEDIAN INCOME - \$ 9879)								
LOWER INCOMES	4950	6300	7100	7900	8400	8900	9400	9900
VERY LOW INCOMES	2950	3950	4450	4950	5350	5750	6100	6500
S THOMAS (MEDIAN INCOME - \$ 9942)								
LOWER INCOMES	4950	6350	7150	7950	8450	8950	9450	9950
VERY LOW INCOMES	3000	4000	4450	4950	5350	5750	6150	6550
TREGO (MEDIAN INCOME - \$ 8519)								
LOWER INCOMES	4250	5450	6150	6800	7250	7650	8100	8500
VERY LOW INCOMES	2550	3400	3850	4250	4600	4950	5300	5600
S WABAUNSEE (MEDIAN INCOME - \$ 8604)								
LOWER INCOMES	4300	5500	6200	6900	7300	7750	8150	8600
VERY LOW INCOMES	2600	3450	3850	4300	4650	5000	5350	5700
S WALLACE (MEDIAN INCOME - \$10211)								
LOWER INCOMES	5100	6550	7350	8150	8700	9200	9700	10200
VERY LOW INCOMES	3050	4100	4600	5100	5500	5900	6350	6750
S WASHINGTON (MEDIAN INCOME - \$ 7688)								
LOWER INCOMES	4000	5100	5800	6400	6800	7200	7600	8000
VERY LOW INCOMES	2300	3100	3450	3850	4150	4450	4750	5050
S WICHITA (MEDIAN INCOME - \$10973)								
LOWER INCOMES	5500	7000	7900	8800	9350	9900	10400	10950
VERY LOW INCOMES	3300	4400	4950	5500	5950	6350	6800	7250

SECTION 8 FAMILY INCOME LIMIT COMPUTATIONS RELATED TO 1974 MEDIAN INCOMES
 NON METROPOLITAN COUNTIES WITHIN THE INSURING JURISDICTION
 TOPEKA, KANSAS INSURING OFFICE

	ONE	TWO	NUMBER OF PERSONS PER FAMILY					SIX	SEVEN	EIGHT +
			THREE	FOUR	FIVE					
WILSON (MEDIAN INCOME = \$ 8180)										
LOWER INCOMES	4100	5250	5900	6550	6950	7350	7750	8200		
VERY LOW INCOMES	2450	3250	3700	4100	4400	4750	5050	5400		
WOODSON (MEDIAN INCOME = \$ 7490)										
LOWER INCOMES	4000	5100	5800	6100	6800	7200	7600	8000		
VERY LOW INCOMES	2250	3000	3350	3750	4050	4350	4650	4950		

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PART IV

DEPARTMENT OF
HOUSING
AND URBAN
DEVELOPMENT

SECTION 8 HOUSING
ASSISTANCE PAYMENTS
PROGRAM

Fair Market Rents and Contract Rent
Automatic Annual Adjustment Factors

Title 24—Housing and Urban Development
CHAPTER VIII—LOW RENT PUBLIC HOUSING, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. R-75-311]

PART 888—SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM—FAIR MARKET RENTS AND CONTRACT RENT AUTOMATIC ANNUAL ADJUSTMENT FACTORS

Notice was given on December 19, 1974 at 39 FR 43943 that the Department of Housing and Urban Development (HUD) was proposing to amend Title 24 of the Code of Federal Regulations by adding to Chapter VIII a new Part 1280 which sets forth (1) the HUD-determined "Fair Market Rents" for the Section 8 Housing Assistance Payments Program, and (2) the Automatic Annual Adjustment Factors (Adjustment Factors) to be used for the automatic annual adjustment of rents specified in Housing Assistance Payments Contracts for the Section 8 New Construction and Substantial Rehabilitation Programs.

HUD is renumbering all Parts within Chapter VIII, including changing the Part number for the regulations below from Part 1280 to Part 888. All references below are to the new Part numbers.

Part 888 includes (1) a Subpart A which sets forth the purpose and applicability, categories, geographic areas and manner of publication for the Fair Market Rents; (2) a Schedule A of Fair Market Rents for the Section 8 New Construction Program, 24 CFR, Part 880, Substantial Rehabilitation Program, 24 CFR, Part 881, and the Housing Finance and Development Agencies Program, 24 CFR, Part 883; (3) a Schedule B of Fair Market Rents for the Section 8 Existing Housing Program 24 CFR, Part 892, and the Housing Finance and Development Agencies Program, 24 CFR, Part 883 (to be published separately); (4) a Subpart B which sets forth the purpose and applicability and manner of publication of the Adjustment Factors; and (5) a Schedule C of Adjustment Factors (to be published at a later date).

The definitions of the policies pertaining to Fair Market Rents are set forth in the final regulations for the Section 8 Housing Assistance Payments Programs (New Construction, Substantial Rehabilitation, Existing Housing, and Housing Finance and Development Agencies, 24 CFR, Parts 880, 881, 882, and 883, respectively). The definition of and policies pertaining to Adjustment Factors are also set forth in these regulations.

HUD has received more than 60 comments in response to the December 19, 1974 publication. Most of these comments stated that the proposed Schedule A Fair Market Rents were too low, either generally, or for specific market areas. All of these comments were seriously considered and, as a result, the Schedule A rents for

more than 40 market areas were modified.

Evaluation and revision of the proposed Schedule A rents for several market areas has not yet been completed. Therefore, the final Fair Market Rents for these market areas are not included in this publication, but will be published separately in the near future. The affected market areas are as follows: Philadelphia, Allentown, Bellefonte, Harrisburg, Lancaster, York, Pottstown, Reading, Scranton, Bethlehem, and Tioga County, Pennsylvania; Massena, Plattsburg, Syracuse, Poughkeepsie, Watertown, Schenectady, Binghamton, Ithaca, Utica-Rome, Albany, and Glen Falls, New York.

In addition to the revisions to the Schedule A Fair Market Rents, the provisions of Subpart A have been modified as follows:

(1) Section 888.101(b), which sets forth the categories for which the Schedule A rents are established, has been expanded.

(2) Section 888.103, which sets forth the manner of publication of Fair Market Rents, has been revised to permit HUD field offices to initiate interim revisions at any time and to permit interested parties to submit information concerning the need for interim revisions to the appropriate field office.

A Finding of Inapplicability respecting the National Environmental Policy Act of 1969 has been made in accordance with HUD procedures. A copy of this Finding of Inapplicability will be available for public inspection during regular business hours in the office of Rules Docket Clerk, Room 10245, Department of Housing and Urban Development, 451 Seventh Street SW., Washington, D.C.

Accordingly, Title 24 is amended as follows:

A new Part 888, Section 8 Housing Assistance Payments Program—Fair Market Rents and Contract Rent Automatic Annual Adjustment Factors, is added to Chapter VIII to read as follows:

Subpart A—Fair Market Rents

- Sec.
 888.101. Fair Market Rents for New Construction and Substantial Rehabilitation.
 888.102. Fair Market Rents for Existing Housing [Reserved].
 888.103. Manner of Publication.

Schedule A Fair Market Rents for New Construction and Substantial Rehabilitation (including Housing Finance and Development Agencies Program) Schedule B Fair Market Rents for Existing Housing (including Housing Finance and Development Agencies Program).

Subpart B—Contract Rent Automatic Annual Adjustment Factors

- 888.201. Purpose of Applicability.
 888.202. Manner of Publication.
 Schedule C Contract Rent Automatic Annual Adjustment Factors for New Construction and Substantial Rehabilitation (including Housing Finance and Development Agencies Program).

AUTHORITY: Sec. 7(d), Department of Housing and Urban Development Act (42 U.S.C. 3535(d)), sec. 5(b) of the U.S. Housing Act of 1937 (42 U.S.C. 1437f).

Subpart A—Fair Market Rents

§ 888.101 Fair market rents for new construction and Substantial Rehabilitation.

(a) *Purpose and Applicability.* Schedule A of this Part sets forth Fair Market Rents, as determined by the Department of Housing and Urban Development (HUD), for the section 8 Housing Assistance Payments Program—New Construction 24 CFR, Part 880, Substantial Rehabilitation, 24 CFR Part 881, and the Housing Finance and Development Agencies, 24 CFR Part 883. (See 24 CFR 880.102, 881.102, and 24 CFR 883.201, respectively, for the definition of "Fair Market Rent".)

(b) *Categories.* (1) These Fair Market Rents are established by unit size (number of bedrooms) and basic structure type (e.g., detached, semi-detached/row houses, walk-up apartments, elevated apartments; mobile homes; housing designed for the elderly or handicapped). This is a separate type for this purpose. These Fair Market Rents are based on the levels of rental paid for recently constructed dwelling units of moderate design within each market area. They include a trend adjustment to allow time for processing and construction. The rents are estimates of the rentals that prospective tenants who have income above 80 percent of median income would be willing and able to pay for newly constructed living units of modest design. They may or may not represent rents needed to support construction and operating costs.

(2) Fair Market Rents for mobile homes will be established on an area basis upon application to any HUD field office demonstrating that there is a need therefor in the geographic area under the jurisdiction of that HUD field office.

§ 888.102 Fair market rents for existing housing. [Reserved]

§ 888.103 Manner of publication.

Schedule A and Schedule B Fair Market Rents will be published in the FEDERAL REGISTER at least annually. Interim revisions for one or more market areas may be initiated by a field office at any time and may be published as market conditions dictate. Interested parties may submit information concerning the need for interim revisions to these Fair Market Rents to the appropriate field office.

SCHEDULE B

FAIR MARKET RENTS FOR EXISTING HOUSING (INCLUDING HOUSING FINANCE AND DEVELOPMENT AGENCIES PROGRAM)

[Schedule B Fair Market Rents will be published at a later date.]

Subpart B—Contract Rent Automatic
Annual Adjustment Factors

§ 888.201 Purpose and applicability.

Schedule C of this Part sets forth the Automatic Annual Adjustment Factors as determined by HUD for the Section 8 Housing Assistance Payments Program—New Construction, Substantial Rehabilitation, and Housing Finance and Development Agencies (see 24 CFR 880, 881, and 883, respectively).

§ 888.202 Manner of publication.

Schedule C Adjustment Factors will be published in the FEDERAL REGISTER at

least annually. Interim revisions may be published as market conditions dictate.

SCHEDULE C

CONTRACT RENT AUTOMATIC ANNUAL RENT
ADJUSTMENT FACTORS

[Schedule C adjustment factors will be published at a later date.]

Effective date. These regulations shall be effective March 31, 1975.

DAVID M. DEWILDE,
*Acting Assistant Secretary for
Housing Production and
Mortgage Credit, FHA Com-
missioner.*

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Section 8 Housing Assistance Payments Program

Schedule A - Fair Market Rents for New Construction and Substantial Rehabilitation (Including Housing Finance and Development Agencies Program)

Effective Date: March 31, 1975. These Fair Market Rents include projection for construction time through Dec. 31, 1976.

NOTE: The Fair Market Rents for (1) dwelling units designed for the elderly or handicapped are those for the appropriate size unit, not to exceed 2-Bedroom, multiplied by 1.05 rounded to the next higher whole dollar, (2) congregate housing dwelling units are the same as for non-congregate units, and (3) single-room occupancy dwelling units are those for 0 - Bedroom units of the same type.

AREA OFFICE KANSAS CITY, KS REGION VII - KANSAS CITY, MO.

MARKET AREA	STRUCTURE TYPE	NUMBER OF BEDROOMS				
		0	1	2	3	4 or more
KANSAS CITY	DETACHED	-	-	270	330	360
	SEMI-DETACHED/ROW	-	232	264	312	342
	WALKUP	170	216	258	300	324
	ELEVATOR	192	228	304	-	-
JOPLIN, MO.	DETACHED	-	-	264	300	324
	SEMI-DETACHED/ROW	-	198	240	282	306
	WALKUP	167	179	221	260	269
	ELEVATOR	180	254	306	-	-
ST. JOSEPH, MO.	DETACHED	-	-	270	312	348
	SEMI-DETACHED/ROW	-	216	252	300	330
	WALKUP	170	198	240	288	318
	ELEVATOR	181	247	300	-	-
SEDALIA, MO.	DETACHED	-	-	264	306	336
	SEMI-DETACHED/ROW	-	204	246	282	318
	WALKUP	152	180	222	270	286
	ELEVATOR	169	247	300	-	-
SPRINGFIELD, MO.	DETACHED	-	-	264	306	336
	SEMI-DETACHED/ROW	-	204	246	282	318
	WALKUP	138	180	216	270	294
	ELEVATOR	168	239	256	-	-
	DETACHED	-	-	-	-	-
	SEMI-DETACHED/ROW	-	-	-	-	-
	WALKUP	-	-	-	-	-
	ELEVATOR	-	-	-	-	-

INSURING OFFICE TOPEKA, KA REGION VII - KANSAS CITY, MO.

MARKET AREA	STRUCTURE TYPE	NUMBER OF BEDROOMS				
		0	1	2	3	4 or more
TOPEKA	DETACHED	-	-	330	383	402
	SEMI-DETACHED/ROW	-	262	306	366	396
	WALKUP	172	208	246	335	375
	ELEVATOR	196	267	327	-	-
GARDEN CITY	DETACHED	-	-	318	362	378
	SEMI-DETACHED/ROW	-	228	288	348	365
	WALKUP	185	208	244	311	331
	ELEVATOR	196	267	327	-	-
PITTSBURG	DETACHED	-	-	296	334	363
	SEMI-DETACHED/ROW	-	233	276	327	362
	WALKUP	186	215	246	322	343
	ELEVATOR	190	258	320	-	-
SALINA	DETACHED	-	-	298	335	385
	SEMI-DETACHED/ROW	-	240	290	327	350
	WALKUP	186	210	245	324	347
	ELEVATOR	196	267	327	-	-
WICHITA	DETACHED	-	-	326	361	386
	SEMI-DETACHED/ROW	-	227	289	338	375
	WALKUP	167	206	245	332	359
	ELEVATOR	196	267	327	-	-
	DETACHED	-	-	-	-	-
	SEMI-DETACHED/ROW	-	-	-	-	-
	WALKUP	-	-	-	-	-
	ELEVATOR	-	-	-	-	-

Table 57. Income in 1969 of Families, Unrelated Individuals, and Persons by Race and Urban and Rural Residence: 1970—Continued

(Data based on sample, see text. For minimum base for derived figures (percent, median, etc.) and meaning of symbols, see text)

The State	Rural nonfarm				Rural farm			
	Total	White	Negro	Persons of Spanish language	Total	White	Negro	Persons of Spanish language
INCOME OF FAMILIES AND UNRELATED INDIVIDUALS								
Families								
Total	132 115	130 692	854	1 139	71 215	70 918	175	128
Less than \$1,000	3 304	3 136	96	39	2 757	2 718	23	—
\$1,000 to \$1,999	6 527	6 430	60	25	3 253	3 227	15	—
\$2,000 to \$2,999	8 201	8 048	89	60	5 143	5 097	30	19
\$3,000 to \$3,999	8 763	8 685	35	72	5 617	5 594	13	12
\$4,000 to \$4,999	9 296	9 179	74	89	6 117	6 079	27	38
\$5,000 to \$5,999	10 395	10 256	87	144	6 762	6 741	16	4
\$6,000 to \$6,999	11 461	11 383	57	134	5 690	5 674	12	4
\$7,000 to \$7,999	11 857	11 713	80	86	5 333	5 311	14	7
\$8,000 to \$8,999	11 387	11 268	58	121	5 285	5 278	3	8
\$9,000 to \$9,999	9 864	9 782	49	89	3 888	3 882	—	6
\$10,000 to \$11,999	15 272	15 178	50	135	7 072	7 043	4	8
\$12,000 to \$14,999	12 671	12 591	51	58	5 789	5 781	2	8
\$15,000 to \$24,999	10 393	10 336	51	76	6 324	6 311	13	8
\$25,000 to \$49,999	2 245	2 236	10	11	1 906	1 903	3	14
\$50,000 or more	478	471	7	—	279	279	—	—
Median income	\$7 684	\$7 703	\$5 839	\$7 076	\$7 050	\$7 062	\$4 241	\$4 868
Mean income	\$8 592	\$8 614	\$7 141	\$7 897	\$8 517	\$8 530	\$5 323	\$7 702
Mean income per family member	\$2 529	\$2 540	\$1 745	\$1 648	\$2 497	\$2 501	\$1 584	\$1 514
Index of income concentration	0.350	0.353	0.438	0.315	0.398	0.397	0.481	0.348
Families with female head	8 908	8 632	165	76	2 413	2 377	14	—
Mean income	\$5 176	\$5 263	\$2 354	\$3 105	\$6 627	\$6 689	—	—
Unrelated Individuals								
Total	48 177	47 161	741	270	9 388	9 325	55	19
Less than \$1,000	13 503	13 115	283	74	1 941	1 926	11	4
\$1,000 to \$1,999	14 736	14 491	176	69	2 124	2 101	19	—
\$2,000 to \$2,999	6 642	6 474	106	64	1 482	1 468	14	9
\$3,000 to \$3,999	3 715	3 653	38	25	992	988	4	—
\$4,000 to \$4,999	2 451	2 424	21	22	757	757	—	—
\$5,000 to \$5,999	1 896	1 832	61	—	535	528	7	6
\$6,000 to \$6,999	1 607	1 584	23	8	358	358	—	—
\$7,000 to \$7,999	1 086	1 076	10	8	326	326	—	—
\$8,000 to \$8,999	—	847	—	—	220	220	—	—
\$9,000 to \$9,999	510	507	3	—	135	135	—	—
\$10,000 to \$11,999	498	487	5	—	204	204	—	—
\$12,000 to \$14,999	337	324	13	—	151	151	—	—
\$15,000 to \$24,999	240	238	2	—	112	112	—	—
\$25,000 to \$49,999	76	76	—	—	39	39	—	—
\$50,000 or more	33	33	—	—	12	12	—	—
Median income	\$1 718	\$1 722	\$1 497	\$1 884	\$2 424	\$2 433	\$1 868	—
Mean income	\$2 611	\$2 621	\$2 237	\$2 083	\$3 495	\$3 504	\$2 348	—
Index of income concentration	0.493	0.494	0.512	0.399	0.489	0.490	0.358	—
Female unrelated individuals	30 044	29 758	182	106	4 476	4 460	12	10
Mean income	\$2 267	\$2 272	\$1 505	\$1 697	\$2 672	\$2 669	—	—
All families and unrelated individuals	180 292	177 853	1 595	1 409	80 603	80 243	230	147
Median income	\$6 055	\$6 093	\$2 936	\$6 151	\$6 467	\$6 480	\$3 176	\$4 776
Mean income	\$6 993	\$7 025	\$4 863	\$6 783	\$7 932	\$7 946	\$4 612	\$7 040
TYPE OF INCOME OF FAMILIES AND UNRELATED INDIVIDUALS								
All families								
With wage or salary income	132 115	130 692	854	1 139	71 215	70 918	175	128
Mean wage or salary income	107 379	106 163	736	1 033	42 978	42 784	109	84
With nonfarm self-employment income	\$7 741	\$7 755	\$6 875	\$7 371	\$6 068	\$6 070	\$5 359	\$8 888
Mean nonfarm self-employment income	22 435	22 336	85	128	8 043	8 024	11	4
With farm self-employment income	\$5 647	\$5 652	\$4 601	\$4 695	\$4 156	\$4 162	—	—
Mean farm self-employment income	16 384	16 353	24	69	5 576	5 548	85	56
With Social Security income	\$3 162	\$3 164	—	\$3 933	\$4 509	\$4 515	\$2 162	\$3 537
Mean Social Security income	31 505	31 237	187	105	16 601	16 475	67	22
With public assistance or public welfare income	\$1 626	\$1 629	\$1 375	\$1 422	\$1 521	\$1 522	\$1 578	—
Mean public assistance or public welfare income	3 872	3 744	89	78	814	814	—	11
With other income	\$1 148	\$1 157	\$839	\$1 723	\$1 095	\$1 095	—	—
Mean other income	40 919	40 625	170	197	24 219	24 122	60	11
Mean other income	\$1 702	\$1 704	\$1 593	\$1 140	\$1 470	\$1 472	\$653	—
All unrelated individuals								
With wage or salary income	48 177	47 161	741	270	9 388	9 325	55	19
Mean wage or salary income	22 934	22 271	495	204	3 258	3 238	20	15
With nonfarm self-employment income	\$2 804	\$2 812	\$2 825	\$2 343	\$3 063	\$3 066	—	—
Mean nonfarm self-employment income	2 282	2 248	13	—	418	413	5	—
With farm self-employment income	\$2 660	\$2 675	—	—	\$3 950	\$3 978	—	—
Mean farm self-employment income	2 430	2 424	6	—	3 728	3 720	4	—
With Social Security income	\$2 104	\$2 108	—	—	\$2 932	\$2 938	—	—
Mean Social Security income	24 379	24 152	150	58	4 651	4 605	46	—
With public assistance or public welfare income	\$957	\$958	\$850	\$1 167	\$987	\$984	\$1 254	—
Mean public assistance or public welfare income	3 163	3 087	36	7	319	314	5	—
With other income	\$823	\$823	\$625	—	\$829	\$830	—	—
Mean other income	18 260	18 065	125	41	3 859	3 838	21	6
Mean other income	\$1 333	\$1 337	\$638	\$213	\$1 398	\$1 401	—	—
Per capita income of persons	\$2 504	\$2 518	\$1 639	\$1 662	\$2 531	\$2 534	\$1 727	\$1 684
MEDIAN EARNINGS OF PERSONS IN EXPERIENCED CIVILIAN LABOR FORCE FOR SELECTED OCCUPATION GROUPS								
Male, 16 years old and over with earnings¹								
Professional, managerial, and kindred workers	\$6 513	\$6 520	\$5 826	\$5 808	\$5 390	\$5 394	\$3 107	\$4 016
Craftsmen, foremen, and kindred workers	8 254	8 251	8 800	9 417	8 557	8 566	—	—
Operatives, including transport	6 964	6 964	6 839	7 128	7 128	7 126	—	—
Laborers, except farm	6 343	6 340	6 865	5 576	6 238	6 251	—	—
Formers and farm managers	4 431	4 421	5 316	5 133	4 295	4 309	—	—
Farm laborers, except unpaid, and farm foremen	4 919	4 923	—	—	5 019	5 024	2 071	4 594
Mean	3 077	3 102	—	3 318	2 607	2 611	—	2 974
Female, 16 years old and over with earnings¹								
Clerical and kindred workers	\$2 597	\$2 608	\$1 843	\$2 063	\$2 420	\$2 618	\$3 000	\$2 923
Operatives, including transport	3 256	3 240	2 455	3 057	3 182	3 183	—	—
Mean	2 992	3 014	2 625	2 667	2 838	2 857	—	—

¹Includes persons in other occupation groups, not shown separately.

(b) The last sentence of such section is amended by striking out "for a month", and by striking out "which are or become fully paid up during the first ten days of that month" and inserting in lieu thereof "as authorized by the board of directors".

APPLICABILITY

Sec. 726. Section 126 of the Federal Credit Union Act (12 U.S.C. 1772) is amended by inserting immediately after "the several territories" the following: ", including the trust territories."

DEFINITION OF MEMBERS ACCOUNTS

Sec. 727. Section 202(h) of the Federal Credit Union Act (12 U.S.C. 1782(h)) is amended—

- (1) by striking out "and" at the end of paragraph (1);
- (2) by striking out the period at the end of paragraph (2) and inserting in lieu thereof "; and"; and
- (3) by adding after paragraph (2) the following new paragraph:

"(3) the term 'members accounts' when applied to the premium charge for insurance of the accounts of federally insured credit unions shall not include amounts in excess of the insured account limit set forth in section 207(c)."

TERMINATION

Sec. 728. (a) Section 206(a) of the Federal Credit Union Act (12 U.S.C. 1786(a)) is amended to read as follows:

"(a) (1) Any insured credit union other than a Federal credit union may, upon not less than ninety days' written notice to the Administrator and upon the affirmative vote of a majority of its members within one year prior to the giving of such notice, terminate its status as an insured credit union.

"(2) Any insured credit union, other than a Federal credit union, which has obtained a new certificate of insurance from a corporation authorized and duly licensed to insure member accounts may upon not less than ninety days' written notice to the Administrator convert from status as an insured credit union under this Act: *Provided*, That at the time of giving notice to the Administrator the provisions of paragraph (b) (1) of this section are not being invoked against the credit union."

(b) The first sentence of section 206(c) of such Act is amended by inserting "(1)" immediately after "(a)".

(c) Section 206(d) of such Act is amended by inserting "(1)" immediately after "(d)", and by adding at the end thereof the following new paragraphs:

"(2) No credit union shall convert from status as an insured credit union under this Act as provided under subsection (a) (2) of this section until the proposition for such conversion has been approved by a majority of all the directors of the credit union, and by affirmative vote of a majority of the members of the credit union who vote on the proposition in a vote in which at least 20 per centum of the total membership of the credit union participates. Following approval by the directors, written notice of the proposition and of the date set for the membership vote shall be delivered in person to each member, or mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to such date. The membership shall be given the opportunity to vote by mail ballot. If the proposition is approved by the membership, prompt and reasonable notice of insurance conversion shall be given to all members."

"(3) In the event of a conversion of a credit union from status as an insured credit union under this Act as provided under subsection (a) (2) of this section, premium charges payable under section 202(c) of this Act shall be reduced by an amount proportionate to the number of calendar months for which the converting credit union will no longer be insured under this Act. As long as a converting credit union remains insured under this Act, it shall remain subject to all of the provisions of chapter II of this Act."

LIQUIDATION

Sec. 729. Section 208(a) (1) of the Federal Credit Union Act (12 U.S.C. 1788(a) (1)) is amended to read as follows:

"(1) In order to reopen a closed insured credit union or in order to prevent the closing of an insured credit union which the Administrator has determined is in danger of closing or in order to assist in the voluntary liquidation of a solvent credit union, the Administrator, in his discretion, is authorized to make loans to, or purchase the assets of, or establish accounts in such insured credit union upon such terms and conditions as he may prescribe. Except with respect to the voluntary liquidation of a solvent credit union, such loans shall be made and such accounts shall be established only when, in the opinion of the Administrator, such action is necessary to protect the fund or the interests of the members of the credit union."

TITLE VIII—MISCELLANEOUS

NATIONAL HOUSING GOAL

Sec. 801. Title XVI of the Housing and Urban Development Act of 1968 is amended—

(1) by inserting "(a)" before "The Congress" in the first sentence of section 1601;

(2) by adding at the end of section 1601 the following new subsections:

"(b) The Congress further finds that policies designed to contribute to the achievement of the national housing goal have not directed sufficient attention and resources to the preservation of existing housing and neighborhoods, that the deterioration and abandonment of housing for the Nation's lower income families has accelerated over the last decade, and that this acceleration has contributed to neighborhood disintegration and has partially negated the progress toward achieving the national housing goal which has been made primarily through new housing construction.

"(c) The Congress declares that if the national housing goal is to be achieved, a greater effort must be made to encourage the preservation of existing housing and neighborhoods through such measures as housing preservation, moderate rehabilitation, and improvements in housing management and maintenance, in conjunction with the provision of adequate municipal services. Such an effort should concentrate, to a greater extent than it has in the past, on housing and neighborhoods where deterioration is evident but has not yet become acute;" and

(3) by redesignating clauses (3) through (6) of section 1603 as clauses (4) through (7), respectively, and by inserting after clause (2) the following new clause:

"(3) provide an assessment of developments and progress during the preceding fiscal year with respect to the preservation of deteriorating housing and neighborhoods and indicate the efforts to be undertaken in future years to encourage such action;"

STATE HOUSING FINANCE AND DEVELOPMENT AGENCIES

Sec. 802. (a) It is the purpose of this section to encourage the formation and effective operation of State housing finance agencies and State development agencies which have authority to finance, to assist in carrying out, or to carry out activities designed to (1) provide housing and related facilities through land acquisition, construction, or rehabilitation, for persons and families of low, moderate, and middle income, (2) promote the sound growth and development of neighborhoods through the revitalization of slum and blighted areas, (3) increase and improve employment opportunities for the unemployed and underemployed through the development and redevelopment of industrial, manufacturing, and commercial facilities, or (4) implement the development aspects of State land use and preservation policies, including the advance acquisition of land where it is consistent with such policies. The Secretary of Housing and Urban Development shall encourage maximum participation by private and nonprofit developers in activities assisted under this section.

(b) (1) A State housing finance or State development agency is eligible for assistance under this section only if the Secretary determines that it is fully empowered and has adequate authority to at least carry out or assist in carrying out the purposes specified in clause (1) of subsection (a).

(2) for the purpose of this section—

(A) the term "State housing finance or State development agency" means any public body or agency, publicly sponsored corporation, or instrumentality of one or more States which is designated by the Governor (or Governors in the case of an interstate development agency) for purposes of this section;

(B) the term "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States; and

(C) the term "Secretary" means the Secretary of Housing and Urban Development.

(c) (1) The Secretary is authorized to guarantee, and enter into commitments to guarantee, the bonds, debentures, notes, and other obligations issued by State housing finance or State development agencies to finance development activities as determined by him to be in furtherance of the purpose of clause (1) or (2) of subsection (a), except that obligations issued to finance activities solely in furtherance of the purpose of clause (1) of subsection (a) may be guaranteed only if the activities are in connection with the revitalization of slum or blighted areas under title I of this Act or under any other program determined to be acceptable by the Secretary for this purpose.

(2) The Secretary is authorized to make, and to contract to make, grants to or on behalf of a State housing finance or State development agency to cover not to exceed 33 $\frac{1}{3}$ per centum of the interest payable on bonds, debentures, notes, and other obligations issued by such agency to finance development activities in furtherance of the purposes of this section.

(3) No obligation shall be guaranteed or otherwise assisted under this section unless the interest thereon is subject to Federal taxation as provided in subsection (h) (2), except that use of guarantees provided for in this subsection shall not be made a condition to nor preclude receipt of any other Federal assistance.

(4) The full faith and credit of the United States is pledged to the payment of all guarantees made under this section with respect to principal, interest, and any redemption premiums. Any such guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligation involved for such guarantee, and the validity of any guarantee so made shall be incontestable in the hands of a

holder of the guaranteed obligation.

(5) The Secretary is authorized to establish and collect such fees and charges for and in connection with guarantees made under this section as he considers reasonable.

(6) There are authorized to be appropriated such sums as may be necessary to make payments as provided for in contracts entered into by the Secretary under paragraph (2) of this subsection, and payments pursuant to such contracts shall not exceed \$50,000,000 per annum prior to July 1, 1975, which maximum dollar amount shall be increased by \$60,000,000 on July 1, 1975. The aggregate principal amount of the obligations which may be guaranteed under this section and outstanding at any one time shall not exceed \$500,000,000.

(d) The Secretary shall take such steps as he considers reasonable to assure that bonds, debentures, notes, and other obligations which are guaranteed under subsection (c) will—

(1) be issued only to investors approved by, or meeting requirements prescribed by, the Secretary, or, if an offering to the public is contemplated, be underwritten upon terms and conditions approved by the Secretary;

(2) bear interest at a rate satisfactory to the Secretary;

(3) contain or be subject to repayment, maturity, and other provisions satisfactory to the Secretary; and

(4) contain or be subject to provisions with respect to the protection of the security interests of the United States, including any provisions deemed appropriate by the Secretary relating to subrogation, liens, and releases of liens, payment of taxes, cost certification procedures, escrow or trusteeship requirements, or other matters.

(e) (1) The Secretary is authorized to establish a revolving fund to provide for the timely payment of any liabilities incurred as a result of guarantees under subsection (c) and for the payment of obligations issued to the Secretary of the Treasury under paragraph (2) of this subsection. Such revolving fund shall be comprised of (A) receipts from fees and charges; (B) recoveries under security, subrogation, and other rights; (C) repayments, interest income, and any other receipts obtained in connection with guarantees made under subsection (c); (D) proceeds of the obligations issued to the Secretary of the Treasury pursuant to paragraph (2) of this subsection; and (E) such sums, which are hereby authorized to be appropriated, as may be required for such purposes. Money in the revolving fund not currently needed for the purpose of this section shall be kept on hand or on deposit, or invested in obligations of the United States or guaranteed thereby, or in obligations, participations, or other instruments which are lawful investments for fiduciary, trust, or public funds.

(2) The Secretary may issue obligations to the Secretary of the Treasury in an amount sufficient to enable the Secretary to carry out his functions with respect to the guarantees authorized by subsection (c). The obligations issued under this paragraph shall have such maturities and bear such rate or rates of interest as shall be determined by the Secretary of the Treasury. The Secretary of the Treasury is authorized and directed to purchase any obligations so issued, and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, and the purposes for which securities may be issued under that Act are extended to include purchases of the obligations hereunder.

(3) Notwithstanding any other provision of law relating to the acquisition, handling, improvement, or disposal of real and other property by the United States, the Secretary shall have power, for the protection of the interests of the fund authorized under this subsection, to pay out of such fund all expenses or charges in connection with the acquisition, handling, improvement, or disposal of any property, real or personal, acquired by him as a result of recoveries under security, subrogation, or other rights.

(f) The Secretary is authorized to provide, either directly or by contract or other arrangements, technical assistance to State housing finance or State development agencies to assist them in connection with planning and carrying out development activities in furtherance of the purpose of this section.

(g) All laborers and mechanics employed by contractors or subcontractors in housing or development activities assisted under this section shall be paid wages at rates not less than those prevailing on similar work in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5): *Provided*, That this section shall apply to the construction of residential property only if such property is designed for residential use for eight or more families. No assistance shall be extended under this section with respect to any development activities without first obtaining adequate assurance that these labor standards will be maintained upon the work involved in such activities. The Secretary of Labor shall have, with respect to the labor standards specified in this subsection, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267), and section 2 of the Act of June 13, 1934 (40 U.S.C. 276c).

(h) (1) In the performance of, and with respect to, the functions, powers, and duties vested in him by this section, the Secretary, in addition to any authority otherwise vested to him, shall—

(A) have the power, notwithstanding any other provision of law, in connection with any guarantee under this section, whether before or after default, to provide by contract for the extinguishment upon default of any redemption, equitable, legal, or other

right, title, or interest of a State housing finance or State development agency in any mortgage, deed, trust, or other instrument held by or on behalf of the Secretary for the protection of the security interests of the United States; and

(B) have the power to foreclose on any property or commence any action to protect or enforce any right conferred upon him by law, contract, or other agreement, and bid for and purchase at any foreclosure or other sale any property in connection with which he has provided a guarantee pursuant to this section. In the event of any such acquisition, the Secretary may, notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, complete, administer, remodel and convert, dispose of, lease, and otherwise deal with, such property. Notwithstanding any other provision of law, the Secretary shall also have power to pursue to final collection by way of compromise or otherwise all claims acquired by him in connection with any security, subrogation, or other rights obtained by him in administering this section.

(2) With respect to any obligation issued by a State housing finance or State development agency for which the issuer has elected to receive the benefits of the assistance provided under this section, the interest paid on such obligation and received by the purchaser thereof (or his successor in interest) shall be included in gross income for the purposes of chapter 1 of the Internal Revenue Code of 54.

(i) (1) Section 24(a)(2) of the Federal Reserve Act (as amended by section 711 of this Act) is amended by inserting the following before the period at the end thereof: “, or to obligations guaranteed under section 802 of the Housing and Community Development Act of 1974”.

(2) The twelfth paragraph of section 5(c) of the Homeowners' Loan Act of 1933 is amended by adding in the last sentence immediately after the words “or under part B of the Urban Growth and New Community Development Act of 1970” the following: “or under section 802 of the Housing and Community Development Act of 1974”.

NEW COMMUNITY PROGRAM AMENDMENTS

SEC. 803. (a) (1) Part B of title VII of the Housing and Urban Development Act of 1970 is amended by striking out “Community Development Corporation” wherever it appears and inserting in lieu thereof “New Community Development Corporation”.

(2) The heading of section 723 of such Act is amended by inserting “new” before “community”.

(b) Section 729(b) of such Act is amended—

(1) by striking out “five members” in the matter preceding paragraph (1) and inserting in lieu thereof “seven members”; and

(2) by striking out “three persons” in paragraph (3) and inserting in lieu thereof “five persons”.

(c) The last sentence of section 713(a) of such Act is amended by striking out “in amounts” and all that follows and inserting in lieu thereof “in amounts equal to 30 per centum of the interest paid on such obligations.”

(d) Section 718(c) of such Act is amended by inserting before the period at the end thereof the following: “, or a project or portion of a project consisting of the purchase, renovation, or construction of facilities, the purchase of land, or the acquisition of equipment or works of art assisted by contracts or grants under section 5 of the National Foundation on the Arts and the Humanities Act of 1965”.

(e) Section 711(f) of such Act is amended—

(1) by striking out “sewage disposal” in the first and second sentences and inserting in lieu thereof “sewage or waste disposal”;

(2) by inserting “community or neighborhood central heating or air-conditioning systems,” after “storm drainage facilities,” in the first sentence; and

(3) by inserting “, a community or neighborhood central heating or air-conditioning system,” after “disposal installation” in the second sentence.

EXPANSION OF EXPERIMENTAL HOUSING ALLOWANCE PROGRAM

SEC. 804. Section 504 of the Housing and Urban Development Act of 1970 is amended to read as follows:

“HOUSING ALLOWANCES

“SEC. 504. (a) The Secretary is authorized to undertake on an experimental basis programs to demonstrate the feasibility of providing housing allowance payments to assist families in meeting rental or homeownership expenses.

“(b) For the purpose of carrying out this section, the Secretary is authorized to make, and to contract to make, housing allowance payments to or on behalf of participating families. No housing allowance payments shall be made after July 1, 1985. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make payments as provided for in contracts entered into under this section and such sums as may be necessary to cover administrative costs. The aggregate amount of contracts to make housing allowance payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$10,000,000 per annum. After January 1, 1975, the Secretary shall not enter into contracts

Attachment II

August 11, 1975

Mr. Lloyd D. Buzzi
P.O. Box 3247
Lawrence, Kansas 66044

Dear Lloyd:

Thank you for providing us with a copy of the proposed Housing Finance Authority legislation for Kansas. Due to the press of time, I have not been able to make as thorough an analysis of the bill as I would like. Nevertheless, there are several issues which I would like to raise prior to your hearing on Tuesday.

As you know, the Housing Assistance Council's primary concern is with the housing needs of low-income rural Americans. In a state such as Kansas where 15.9% of the rural households live in substandard housing and where 51.5% of all substandard housing in the state is in rural areas, the needs of rural Kansas cannot be overlooked in the development of a state housing finance authority. My comments, then, are made from this vantage point.

It is encouraging that the Kansas legislature is seriously considering a much stronger role in meeting housing problems, particularly those of "families of low and moderate income". However, as the bill is presently drafted I am concerned that rural low-income families and elderly will not greatly benefit. Mortgage purchase and loans to lenders programs will benefit moderate to middle income households; however, the market rate or slightly below market interest rate which is generally available through these programs does not sufficiently lower the cost to allow low-income households to participate.

While these programs will hopefully encourage rural banks to participate, the experience in rural areas of other states has not been particularly encouraging. Special outreach efforts will probably be required to encourage the active involvement of rural banks.

The Kansas Housing Finance Authority should be empowered to make development, construction and mortgage loans. Financing units which will be subsidized further through a federal program such as HUD's Section 8 is the most common means for a state to serve low-income housing needs. If the Kansas Housing Finance Authority is not granted the ability to finance units directly without federal

Mr. Lloyd B. Buzzi
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Page Two

mortgage insurance, Kansas will continue not to benefit from the streamlined processing HUD offers for state agency financed Section 8 projects.

Most state housing finance agencies have focused their greatest amount of efforts on suburban middle income housing. As I have already noted, the way the Kansas bill is structured, this same pattern will likely be followed in Kansas, even though the legislative findings under Section 2 clearly intend that "families of low and moderate income" receive the most assistance from the housing finance authority.

As we have discussed previously, the best way to ensure that low-income rural households are assisted is to specifically state that intent in the law. I am enclosing an excerpt from the California Housing Finance Agency legislation, Section 41332, which stipulates that not less than 30% of all units assisted by the finance agency will be for very low income households. The enclosed Section 41332.5 (f) also stipulates that a balance be struck between metropolitan and nonmetropolitan assistance, in proportion to the needs identified by the statewide housing plan. Other states, including Massachusetts, Georgia and Colorado, have similar requirements.

Enunciating this type of goal in the legislation does not hamper the administrative flexibility of the agency. It does not tell the agency how to meet that goal; it allows the agency to work out its own plan. Realistically, the major vehicle would be through use of the HUD Section 8 program. Even if the Kansas Finance Authority does not actually finance Section 8 units, it can still qualify for a set-aside from HUD which the finance authority could use to assure that an equitable share of Section 8 assistance is provided in rural Kansas.

Another step which could be taken to help ensure that rural, low-income housing needs are met would be to require that at least one member of the board be rural based and that one member (perhaps the same one) be either a low income person or a representative of low-income housing interests. By requiring that these interests be represented on the board, the legislature would be further showing its more specific intent that rural low-income households benefit from the enactment of this legislation. The enclosed Section 41302 of the California legislation is an example of this type of provision.

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I am also enclosing one other part of the California legislation which I think should be of interest to you. Sections 41495 to 41502 form Article 6 on Priorities. These sections reiterate the percentage requirements described earlier and make clear the legislation's intent that those most in need receive the highest priority. As you can see, these sections set some fairly specific priorities for the finance agency to consider in developing its program, without significantly limiting the agency's flexibility in deciding how to meet those priorities.

Finally, I am enclosing a copy of a HAC study, which you may or may not have seen, on the involvement of state housing agencies in meeting rural low-income housing needs. Of particular interest are those sections which discuss the relationship of state agencies with the Farmers Home Administration (FmHA) (pages 7, 8, 14, 15, 16, 17.) While the proposed Kansas statute would preclude the finance authority's involvement in some of the activities discussed, some activities such as providing services to FmHA or concentrating efforts to expand a particular FmHA program, would appear to be possible. Specific language encouraging the housing finance authority to seek means to cooperate with FmHA could be useful in generating that type of effort. Pages 18-21 of the HAC publication summarize the full range of powers that a state housing agency should have to most effectively serve rural low-income housing needs.

I hope that some of my suggestions are useful. I recognize the constraints under which you must operate, but feel that it is important to present the issues HAC is most concerned with. I have passed on your request that Gordon Cavanaugh contact you when he returns from vacation around the 18th of this month. If I can be of any further assistance, please do not hesitate to call.

Sincerely yours,



Rick Eisen
Government Services Coordinator

RE/hr/jb
Enclosures
cc: Paul Feliciano, Russell Mills

Proposed 17
Proposed 19

Amendments to
Plans

majority of the entire membership thereof.
41314. The principal offices of the agency shall be located in the City of Sacramento.

CHAPTER 2. PURPOSES AND GENERAL PROVISIONS

41331. The primary purpose of the agency shall be to meet the housing needs of persons and families of low or moderate income.

* 41332. In meeting the housing needs of persons and families of low or moderate income, not less than 30 percent of the units financed by mortgage loans or neighborhood improvement loans pursuant to this part shall be available to, or occupied by, very low income households at affordable rents, unless it is not possible to obtain subsidies necessary to meet such requirement. No development loan, rehabilitation loan, or construction loan shall be made pursuant to this part if the agency determines that its ability to utilize currently available subsidies to meet the requirements of this section would be jeopardized thereby.

41332.5. The agency shall also seek to attain the following objectives:

(a) Acquisition of the maximum amount of funds available for subsidies for the benefit of persons and families of low or moderate income occupying units financed pursuant to this part.

* (b) Housing developments providing a socially harmonious environment by meeting the housing needs of both very low income households and other persons and families of low or moderate income and by avoidance of concentration of very low income households that may lead to deterioration of a development.

(c) Emphasis on housing developments of superior design, appropriate scale and amenities, and on sites convenient to areas of employment, shopping, and public facilities.

(d) Increasing the range of housing choice for minorities of low income and low-income persons, rather than maintaining or increasing the impact of low-income areas, and cooperation in implementation of local and areawide housing allocation plans adopted by cities, counties, and joint powers entities made up of counties and cities.

(e) Identification of areas of low-vacancy rates where construction is needed, of areas of substandard housing where rehabilitation is needed, and of areas of credit shortage where financing is needed for transfer of existing housing, so as to maximize the impact of financing activities on employment, reduction of housing costs, and maintenance of local economic activity.

* (f) A balance between metropolitan, nonmetropolitan, and rural housing developments, and between family housing and housing for the elderly and handicapped, in general proportion to the needs identified in the statewide housing plan.

(g) Minimization of fees and profit allowances of housing sponsors

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of Planning and Research, and the president and the executive vice president of the agency shall serve as nonvoting ex officio members of the board.

41302. Appointed members of the board shall be able persons broadly reflective of the economic, cultural, and social diversity of the state, including ethnic minorities and women. However, it is not intended that formulas or specific ratios be applied in order to achieve such diversity. Of the members appointed by the Governor, one shall be an elected official of a city or county engaged in the planning or implementation of a housing, housing-assistance, or housing rehabilitation program; one shall be experienced in residential real estate in the savings and loan, mortgage banking, or commercial banking industry; one shall be experienced as a builder of residential housing; one shall be experienced in organized labor of the residential construction industry; and one shall be experienced in the management of rental housing occupied by lower-income households. At least one of such members appointed by the Governor shall be a resident of a rural or nonmetropolitan area. The Senate Rules Committee and the Speaker of the Assembly shall each appoint a tenant living in rental housing financed by the agency or a person experienced in counseling, assisting, or representing tenants. The terms of the members initially appointed by the Governor, the Senate Rules Committee, and the Speaker of the Assembly shall be as follows:

(a) An elected official of a city or county engaged in the planning or implementation of a housing, housing-assistance, or housing rehabilitation program—two years appointed by the Governor.

(b) Member experienced in residential real estate in the savings and loan mortgage banking or commercial banking industry—four years appointed by the Governor.

(c) Member who is experienced as a builder of residential housing—six years appointed by the Governor.

(d) Member experienced in organized labor of the residential construction industry—two years appointed by the Governor.

(e) Member experienced in the management of rental housing occupied by lower-income households—four years appointed by the Governor.

(f) Member appointed by the Speaker of the Assembly who is a tenant living in rental housing financed by the agency or is experienced in counseling, assisting, or representing tenants—six years.

(g) Member appointed by the Senate Rules Committee who is a tenant living in rental housing financed by the agency or is experienced in counseling, assisting, or representing tenants—two years.

The term of any member of the board appointed to serve subsequent to the expiration of such an initial term shall be six years. Any person appointed to fill a vacancy on the board shall serve only

for the remainder of the term. Any member appointed shall have been appointed by the Governor, or shall have been appointed by the agency, if any existing law requires such qualification, before the member's term of membership begins.

41303. All members of the board shall be confirmed by the Senate.

41304. The members of the board shall be deemed to be disinterested persons of policy and discretion, and no person shall be interested in a matter of public interest for an office or position in the housing development program, or as an employee of any agency, or as an officer, director, partner, firm, broker, agent, or employee of any architectural firm, or as an officer, director, partner, person, associate, or agent of any other person, when present at a meeting of the board, if the person is a legally required member of the board. The meaning of Section 41304 shall be the same as the meaning of Section 41303. If a member has a financial interest in a matter of public interest, the member shall be particularly bound to disclose that interest in any way in deliberation of the board.

If any board member is disqualified, the disqualification shall be filed with the State Board of Practices and Procedures.

No board member shall be disqualified in which the member is a party.

Violations of the provisions of this section constitute a disqualification under the provisions of the Code. Pursuant to the provisions of this section, a violation of the provisions of this section shall constitute a disqualification.

Within 60 days of the adoption of the conflict of interest code and 3704 of the Code, the board shall adopt a conflict of interest code approved by the board pursuant to Article 7 of Title 9 of the Code, each of which shall be subject to the provisions of such code, each of which shall be subject to the provisions of such code, each of which shall be subject to the provisions of such code.

41305. (a) Section 41302 shall not apply to any member of the board who is appointed to fill a vacancy on the board.

① 3—ch 1

part if such person or family has already received assistance under this part for purchase of other real property, unless such property is sold or transferred for good cause as determined by the agency.

Article 6. Priorities

41495. In selecting proposals for financing, the agency shall give priority consideration to the needs of identifiable groups within the state, as identified by the California Statewide Housing Plan. Such groups may include, but need not be limited to the elderly and the handicapped, large households, and persons and families displaced by governmental action or natural disaster. The agency shall also consider rural areas, areas in which new construction is needed, areas in which rehabilitation is needed, and areas of credit shortage where financing is needed for the purchase of existing housing in order to maximize the impact of the agency's financial activities on employment, reduction of housing costs, and maintenance of local economic activity. The agency shall balance its activity between metropolitan, nonmetropolitan, and rural areas of the state in general proportion to the needs identified in the Statewide Housing Plan. The agency may also give priority consideration to, and reserve funds for use in connection with, large urban revitalization programs.

In order to facilitate implementation of local housing allocation plans, the agency may contract with a local public entity to reserve a portion of available credit and subsidy assistance for that area for one year. Such contracts may be renewed annually by mutual agreement.

41496. Subject to the availability of adequate subsidies, not less than 30 percent of the combined total units financed by mortgage loans and neighborhood improvement loans pursuant to this part during each fiscal year shall be made available on a priority basis to very low income households. Subject to the availability of adequate subsidies, not less than 20 percent of the units in each housing development shall be made available on a priority basis to very low income households, except that such requirement shall not apply to housing developments of less than 12 units where the agency finds it is not necessary to make units available in the development for very low income households to meet the requirement of making 30 percent of total units available to very low income households. Units required to be made available on a priority basis pursuant to this section, shall be offered exclusively to those within the priority group unless or until the agency permits the unit to be offered to other potential occupant groups.

41497. At the close of each fiscal year the agency shall ascertain that not less than 25 percent of the total units financed during the preceding 12 months pursuant to this part were made available to very low income households. At the close of each fiscal year the

agency shall ascertain the number of units financed pursuant to this part which are used for neighborhood improvement loans are made available to very low income households. If the agency finds that its goals have not been met, the agency shall report to the Governor, the Speaker of the Assembly, and the Housing Committee and shall reserve funds which may be required to make good the deficiency.

41498. At the time the agency finances any rental housing, the agency shall designate the number of units on a priority basis within such housing development to be made available to persons with very low income households in a number agreed to by the agency which become available. Subsidies be made available to very low income households until the number specified in the time review agreement is reached, subject to agreement on the number of units to be made available, if consistent with market conditions, housing development, and housing distributions, or may be made available for occupancy of units by persons with very low income households of the housing development.

41499. Nothing in this section shall prevent the agency to allocate units in housing development designed for very low income households or housing to which the board finds it is not necessary that such proportion be made available.

41500. Not less than 20 percent of the units financed by the agency to very low income households shall be made available to the elderly or handicapped. The agency shall finance at least that number of units and accessibility by persons with very low income to make such units equitably available. The total number of units made available compared to the total number of units available, only, however, relative to the total number of units available.

agency shall ascertain that not less than 25 percent of all units financed pursuant to this part by mortgage loans or neighborhood improvement loans are occupied or available to very low income households. If the agency finds that said very low income occupancy goals have not been met the agency shall immediately notify the Governor, the Speaker of the Assembly, and the Senate Rules Committee and shall recommend such legislation or other action as may be required to make at least 20 percent of the units so available.

41498. At the time a mortgage loan commitment is made to finance any rental housing development, a written agreement between the agency and housing sponsor shall be executed, designating the number of units to be made available on a priority basis within such housing development to very low income households, to persons and families of low or moderate income, and to other households. If the number of units occupied by very low income households in any housing development ever falls below the number agreed to by the agency and housing sponsor, then units which become available for occupancy shall, subject to available subsidies be made available on a priority basis to very low income households until the number of units so occupied equals at least the number specified in the agreement. The agency may from time to time review agreements designating the allocation of units and, subject to agreement with the housing sponsor, may increase the number of units to be made available to very low income households if consistent with maintenance of the financial integrity of the housing development and continuance of permitted earnings distributions, or may establish minimum rents or minimum incomes for occupancy of units becoming vacant and not otherwise allocated to very low income households if necessary to the financial integrity of the housing development and continuance of permitted earnings distributions.

41499. Nothing in this part, including Section 41337, shall require the agency to allocate more than 25 percent of the units in any single housing development to very low income households, except housing designed for occupancy by elderly or handicapped households or housing developments of 12 units or less, with respect to which the board finds it necessary for the purposes of this division that such proportion be exceeded.

41500. Not less than 30 percent nor more than 40 percent of the units financed by the agency during each fiscal year for very low income households shall be designed specifically for occupancy by elderly or handicapped persons. The agency shall in each fiscal year, finance at least that number of rental units designed for occupancy and accessibility by persons with orthopedic disabilities necessary to make such units equal to the same percentage relationship to the total number of rental units as such persons comprise when compared to the total population of the state. The percentage shall only, however, relate to those persons qualified by income and the

percentage relationship shall be verified according to submarket areas within the state.

41501. The agency shall assist housing sponsors in obtaining subsidies. In selecting housing to be given assistance under this division, the agency shall give priority to those which are able to obtain subsidies but cannot obtain alternative financing in order to utilize such subsidies. The agency shall make every effort to obtain subsidy funds and nothing in this division shall preclude the agency from meeting the eligibility requirements for obtaining federal housing subsidy allocations.

41502. To implement the purposes of this division, the agency shall develop or require housing sponsors to develop, pursuant to regulations of the agency, resident selection plans for housing developments, which shall provide that preference be given to households displaced by a housing development, public action, or natural disaster. Such plans shall include criteria for resident selection, which shall establish income limits for residents, and may include a counseling program designed to promote the financial success of the housing development or the health, safety, and welfare of residents of the housing development. The agency may make participation in such a counseling program a condition or precondition of occupancy of a housing development. The agency may develop or require housing sponsors to develop, pursuant to regulations of the agency, resident selection plans for large urban revitalization programs which recognize a need to attract a full range of income groups for housing developments in central-city areas.

Article 7. State and Local Cooperation

41510. The agency may, in connection with a housing development, arrange or contract with a local public entity (1) for the planning, replanning, opening, grading, or closing of streets, roads, roadways, alleys or other places, (2) for the furnishing of utilities or any community, municipal or public facilities or services, (3) for the acquisition by a local public entity of property or property rights, or (4) for the furnishing of property or services. Any local public entity may, upon finding that a public purpose is served thereby, enter into such contractual agreements with the agency and to do all things necessary to carry out its obligations.

41511. Notwithstanding any other provision of law, the Department of General Services, any other state agency or officer authorized by law to convey real property of the state, and any local public entity may, in his or its discretion, from time to time sell, lease for a term not exceeding 99 years, grant, or convey to the agency or to a housing sponsor designated by the agency any real property and appurtenances thereto or any interest therein owned by the state or local public entity which the agency shall certify as necessary for its purposes. Such certification of need shall be evidenced by a formal

request from the pres or conveyance shall b such terms and cond state or local public e sale, lease, grant, or value, the agency sha the consideration req to the benefit of per living in a housing d

41512. (a) Upon city and county, or c constituted governin shall be certified as a department determ specified in subdivisi than one city, coun individually meet th prospective housing part for housing dev shall be reviewed by which the housing d is to be financed. application for a lo neighborhood impr application does not

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GOVERNMENTAL ETHICS COMMISSION
PRESENTATION

SPECIAL COMMITTEE ON FEDERAL AND STATE AFFAIRS
AUGUST 13, 1975

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I. Statement of Calvin A. Strowig,
Chairman, Governmental Ethics
Commission

STATEMENT OF
CALVIN A. STROWIG, CHAIRMAN, GOVERNMENTAL ETHICS COMMISSION
BEFORE THE SPECIAL COMMITTEE ON FEDERAL AND STATE AFFAIRS

August 13, 1975

I have been a member of the Commission since its inception and originally served as its vice-chairman. This morning I would like to comment briefly on the goals, objectives and program activities of the Commission and make several observations about one or two of the Commission's activities. After that I would like to turn the floor over to the Commission's Executive Director to comment in more detail on some of the other aspects of the Commission's work.

Initially, I would like to call your attention to several of the items provided to you. First there is a fact sheet which gives a brief overview of the legislation administered by the Commission. You also have been provided copies of the three statutes we work with. In addition, there is a copy of a memorandum which sets out the goals and objectives inherent in the legislation which has been adopted to serve as a guide for the Commission and its staff. To accomplish these goals and objectives the Commission allocates its time among six program activities. These are (1) an information program, (2) the advisory opinion process, (3) the review and audit program, (4) investigation and conducting of hearings, and (6) general administrative activities.

Specifically, I would like to comment on the advisory opinion process inasmuch as during our first year of operation it has occupied a considerable amount of our time, as well as having attracted the most attention. To date, the Commission has

issued 156 opinions. Of these, 48 concern campaign finance, 28 relate to the regulation of lobbying, 46 have to do with the conflict of interest provisions governing state officers or employees, and 34 concern conflict of interest provisions which apply to local officials and employees. Of the total 156 opinions, 145 or 93% have been issued as a result of requests by various individuals rather than through Commission initiative.

The process by which opinions are adopted is as follows. Once a request is initially received at the Commission's offices, a draft response is prepared by the staff based on research of the applicable law. Occasionally, on questions in which the law is unclear, the staff either seeks direction from the Commission prior to the preparation of the initial draft or presents alternatives in the draft. The prepared draft is then sent to all members of the Commission prior to the next meeting. During the meeting the staff reviews the draft for the Commission pointing out ramifications that might not be apparent on first reading. Then, when the Commission discusses the draft, attention is directed at the broader ramifications of the issue which may not initially be apparent in a narrowly drawn question. Sometimes the staff is directed to prepare a revised version. Other times revisions are made in the draft and adopted at the initial meeting. Still other times a draft will be adopted without change. This latter occasion normally happens with issues that have been settled pretty well previously.

I can remember one request in particular that was extensively reworked. At the first meeting at which the matter

was discussed the request itself was considered and direction was given to staff to explore the possibilities in a draft to be presented at the following meeting. Prior to the following meeting, a draft was sent out which contained three alternative solutions to the question raised. At the second meeting the issue was discussed and a majority could not be obtained for any of the alternatives. Therefore, further directions were given to the staff for the following meeting. The staff responded with a draft opinion which included, based on the Commission's discussion, four alternative approaches to the question raised. At the third meeting the Commission was not able to agree on any of the four alternatives as they were drafted, but finally resolved the issue by obtaining a majority for a modified version of one of the four. This is one example of the consideration given requests involving provisions of the law that are unclear and which have ramifications beyond the initial question.

As I noted when I began, advisory opinions are only one of several Commission functions. Presently the Commission is heavily involved in the drafting and consideration of rules and regulations dealing with the investigation, complaint and hearing process. As soon as these rules are promulgated, the Commission will begin consideration of rules and regulations regarding campaign finance, conflict of interest and lobbying regulation. In addition, an increasing amount of staff time is spent in our review and audit program, which at this point is directed primarily at reports filed pursuant to the Campaign Finance Act. For a description of the work being done in that, and other areas, I

would like to turn the floor over to the Commission's Executive Director. After which, if you have any questions, we would both be happy to answer them.

II. Governmental Ethics Commission
Fact Sheet



GOVERNMENTAL ETHICS COMMISSION

109 W. NINTH
TOPEKA, KANSAS 66612
PHONE: (913) 296-4219

The Kansas Governmental Ethics Commission was established to administer and enforce the 1974 Campaign Finance Act and another 1974 law relating to ethical conduct of state officers and the regulation of lobbyists. In addition, the Commission is charged with rendering advisory opinions under an existing and less comprehensive conflict of interests law covering local government officers and employees.

Campaign Finance

The 1974 Campaign Finance Act provides for full disclosure of campaign contributions and expenditures in elections for state office by most candidates, political parties and political committees. The major provisions of the Act are:

1. No contribution may be received and no expenditures made by or on behalf of a candidate until the candidate has appointed a treasurer, or in the alternative established a committee and appointed its treasurer. In addition, all contributions and expenditures made by or on behalf of the candidate must go through the treasurer appointed by the candidate and be reported by that treasurer. Requirements similar to those for candidates, as well as registration provisions, are established for political parties and political committees.
2. Most candidates, political parties and political committees must file a report of all contributions and expenditures seven days before each primary election, ten days after each primary election, seven days before each general election and on December 3rd each year.
3. Except for bona fide political parties, no individual, organization or committee may contribute, directly or indirectly, more than \$2,500 per election to a candidate for statewide office or \$500 per election to a candidate for any other state office. Candidates for statewide office may not contribute more than \$2,500 per election to their own campaigns. However, candidates for legislative and other state office may contribute more than \$500 per election to their own campaign.
4. The Act also limits the amount which may be spent for a candidate's campaign. The amount varies depending on the office.

Conflict of Interest and Regulation of Lobbyists

Other statutory provisions first enacted during 1974 regulate the ethical conduct of state officers and employees and certain other persons, provide for the disclosure of substantial interests by certain state officers and employees, and provide for the registration and regulation of lobbyists. The major provisions of this statute are:

1. State officers or employees are prohibited from, among other things: (a) participating in the making of a contract with any business by which they are employed or in which they have a substantial economic interest; (b) accepting compensation for performance of official duties other than that to which they are officially entitled; (c) soliciting a favor or anything of value from a person with a special interest if the purpose of the donor could be to influence the officer or employee; or (d) accepting during a year anything worth a total of more than \$100, with certain exceptions, from a person with a special interest if the purpose of the donor is to influence the officer or employee.
2. State officers or employees are also prohibited from representing any person in a matter before a state agency without first filing a disclosure statement indicating the name of the employer, the purpose of the employment and the method of compensation.
3. All elected state officers and candidates for such office as well as individuals whose appointment is subject to confirmation and those officers and employees receiving \$15,000 or more per year, except teachers under the State Board of Regents, must file a statement of their substantial financial interests.
4. The Act requires the following people, with certain exceptions, to register as lobbyists: (a) individuals who are employed to lobby; (b) individuals who are appointed to lobby; and (c) persons who make expenditures of more than \$100 in a calendar year for lobbying. In addition, lobbyists must file expenditure statements periodically.

General Powers and Penalties

The Governmental Ethics Commission is charged with the general administration of both Acts, including the investigation and hearing of complaints. Investigations are conducted in response to complaints or upon the Commission's own initiative. The intentional violation of the various provisions is either a class A or class B misdemeanor and also subjects a state officer or employee to possible removal from office or employment. In addition to having the authority to promulgate rules and regulations under both Acts, the Commission must upon appropriate request and may upon its own initiative render opinions in writing on questions concerning the interpretation of either Act.

III. Statement of Agency Goals,
Objectives and Program
Activities

Governmental Ethics Commission

Statement of

Agency Goals, Objectives and Program Activities*

General

I. Goals

Assure the integrity of (1) the electoral process and (2) governmental decisions.

II. Objectives

- A. Assure compliance with the Campaign Finance Act
 - 1. Provide information and other services to those covered by the Act in order to assist with compliance.
 - 2. Provide for adequate and timely disclosure of receipts and expenditures.
 - 3. Enforce contribution limitations.
 - 4. Enforce expenditure limitations.
 - 5. Provide for compliance with other prohibitions.
- B. Assure compliance with conflict of interest provisions.
 - 1. Provide information and other services to those covered by these provisions in order to assist with compliance.
 - 2. Provide for adequate and timely disclosure of substantial interests and representation cases.
 - 3. Provide for compliance with standards and prohibitions governing behavior.
- C. Assure compliance with provisions governing lobbyists.
 - 1. Provide information and other services to those covered by these provisions in order to assist with compliance.
 - 2. Provide for compliance with registration provisions.
 - 3. Provide for compliance with expenditure reporting provisions.
 - 4. Provide for compliance with standards and prohibitions governing behavior.

III. Program Activities

- A. Information Program
 - 1. Public
 - 2. Clientele
- B. Advisory Opinions

* Adopted August 5, 1975.

- C. Review and Audit Program
 - 1. Campaign finance
 - 2. Conflict of interest and regulation of lobbying
- D. Investigations
- E. Enforcement
 - 1. Complaints
 - 2. Hearings
- F. General Administration
 - 1. Budget, program analysis and planning
 - 2. Staff communication and supervision
 - 3. Rule and regulation revision
 - 4. Form revision
 - 5. Report and recommendations
 - 6. Record keeping and processing
 - 7. Clerical

Program Activity Breakdown

- A. Information Program
 - 1. Public
 - a. Media (radio, TV and newspapers) - releases and spots.
 - b. Speaking engagements
 - c. Correspondence and telephone
 - d. Brochures
 - 2. Clientele
 - a. Candidates, treasurers and chairmen
 - 1. Handbook and brochures
 - 2. Meetings, correspondence and telephone
 - b. State officers and employees
 - 1. Instruction booklets and/or brochures
 - 2. Meetings, correspondence and telephone
 - c. Lobbyists
 - 1. Handbook and brochure
 - 2. Meetings, correspondence and telephone
- B. Advisory Opinions
- C. Review and Audit Program
 - 1. Campaign finance
 - a. Preliminary desk review and notification of errors or omissions.
 - b. Post-election desk review of Receipts and Expenditures Reports.
 - c. Field audit of Receipts and Expenditures Reports.
 - d. Development of campaign finance accounting guidelines.
 - 2. Conflict of interest and regulation of lobbying
 - a. Development of processing and review procedures for Substantial Interests Statements.

- b. Development of processing and review procedures for Representation Case Disclosure Statements.
 - c. Development of processing and review procedures for Lobbyist Registration and Expenditure Reports.
- D. Investigations
- 1. Audit follow-up items
 - 2. General
- E. Enforcement Program
- 1. Complaints
 - 2. Hearings
- F. General Administration
- 1. Budget, program analysis and planning
 - 2. Staff communication and supervision
 - 3. Rules and regulations
 - a. Procedural
 - b. Substantive
 - 1) Campaign finance
 - 2) Regulation of lobbying
 - 3) Conflict of interest
 - 4. Form Revision
 - a. Campaign finance
 - b. Lobbyist registration and expenditures
 - c. Substantial interests
 - d. Representation case
 - 5. Report and recommendations
 - a. Report
 - b. Recommended Amendments
 - 1) Campaign finance
 - 2) Conflict of interest and regulation of lobbying
 - 3) Local conflict of interest
 - 6. Record keeping and processing - report processing, payroll, bookkeeping, purchasing, etc.
 - 7. Clerical
 - a. General - typing, steno, filing, etc.
 - b. Development of written office procedures

IV. General Policy Regarding the
Issuance of Opinions

Governmental Ethics Commission General Policy
Regarding
The Issuance of Opinions*

Pursuant to its authority under K.S.A. 1974 Supp. 25-4120 and K.S.A. 1974 Supp. 46-254, the Commission normally will issue opinions in accordance with the following guidelines:

1. As required by these sections, the Commission shall upon request of any individual to which either Act applies, or his or her authorized representative, render an opinion in writing on questions of interpretation so that the individual requesting the opinion may have appropriate standards by which to guide his or her conduct.

2. Also, as provided by these sections, the Commission may, from time to time in other situations, exercise its prerogative to render an opinion on its own initiative.

3. Finally, the Commission is not required and will not issue opinions requested in those situations which relate to a possible violation of the Act by an identifiable third party. Rather, when receiving such requests for opinions, the Commission will suggest that the appropriate avenue under such circumstances is for the individual submitting the inquiry to file a complaint under K.S.A. 1974 Supp. 25-4121 and K.S.A. 1974 Supp. 46-255, which provisions provide due process safeguards for the person complained against.

*Adopted March 17, 1975.

V. General Policy Regarding
Campaign Finance Act Review
and Audit Guidelines

Governmental Ethics Commission General Policy
Regarding
Campaign Finance Act Review & Audit Guidelines*

Reviews and audits conducted by the Commission under the Campaign Finance Act shall be governed by the following guidelines. These standards form a multi-stage system which in design and application is intended to be uniform and even-handed. The general purpose is to promote and yield maximum disclosure and to identify apparent violations and provide an authoritative basis for action when warranted. Both between stages and within each stage work shall proceed on the basis of priority assigned first to statewide candidates and then other candidates and committees. As necessary, representative samples shall be utilized to make the workload manageable. The four procedural stages are as follows:

- A. Identification of candidates, candidate committees, party committees and political committees that are required to maintain records and/or file under the Campaign Finance Act.
- B. Preliminary desk review and notification of failure to file and of material errors or omissions. This is an initial review to determine obvious problems and shall be conducted as reports and statements are filed.
- C. Post-election desk review to determine degree of compliance. This is a detailed desk review of the cumulative sets of reports conducted after each election and shall include cross-checking between sets of reports and the confirmation of receipts and expenditures. Notification of material errors or omissions may also be sent at this stage.
- D. Audits.
 1. Audits of accounts and records shall be based on generally accepted auditing standards and procedures adapted to the area of campaign finance, including the confirmation of receipts and expenditures. Notification of material errors or omissions may also be sent at this stage.
 2. Audits shall be conducted on the following priority basis:
 - a. Formal complaints.
 - b. As necessary to clarify material errors or omissions resulting from the post-election desk review.
 - c. Representative sample of candidates and committees.
 3. Disclosure of audit results.
 - a. Where appropriate, advance notice shall be given to candidates, treasurers and others responsible for the records to make mutually convenient arrangements. No other notice of time or circumstances of audits shall be given to anyone.
 - b. Where appropriate, upon completion, a verbal review of findings may be provided by the auditor to the person responsible for the records and to the treasurer, if different.

Attachment 7/11

KANSAS

GOVERNMENTAL ETHICS COMMISSION

Campaign Finance Desk Review

1. Candidate or Committee: _____ Date _____
Reviewer _____

2. Treasurer: _____

3. Review Hours: _____

4. Review Conclusions: _____

Reports

Appointment of Treasurer or Statement of Organization: _____

1. July 30, 1974 (December 1, 1973 - July 27, 1974) _____

2. September 5, 1974 (July 28, 1974 - August 6, 1974): _____

3. September 5, 1974 (August 7, 1974 - September 2, 1974): _____

4. October 29, 1974 (September 3, 1974 - October 26, 1974): _____

5. December 3, 1974 (October 27, 1974 - November 5, 1974): _____

6. December 3, 1974 (November 6, 1974 - November 30, 1974): _____



GOVERNMENTAL ETHICS COMMISSION

109 W. NINTH
TOPEKA, KANSAS 66612
PHONE: (913) 296-4219

Notification of Errors or Omissions

TO: _____

Date: _____

RE: Receipts and Expenditures Report Due
(Covering period from _____ thru _____.)

A preliminary review of your Receipts and Expenditures Report has been conducted by our staff. The following errors or omissions have been noted and are being called to your attention for corrective action. Errors or omissions may be corrected by additional submissions as indicated.

- _____ Failure to file report for period
(Submit Form No. _____)
- _____ Failure to submit forms prescribed by this office
(Resubmit Form No. _____)
- _____ Omission of notarization
(Resubmit Form No. _____)
- _____ Omission of supporting schedules
(Submit Schedule(s) _____)
- _____ Other _____

Explanation: _____

Please submit the information required to:

Secretary of State
State House
Topeka, Kansas 66612

Your prompt attention to this notification is necessary to insure adequate disclosure.

Sincerely,

Lynn Hellebust
Executive Director



GOVERNMENTAL ETHICS COMMISSION

109 W. NINTH
TOPEKA, KANSAS 66612
PHONE: (913) 296-4219

Contribution Inquiry

TO:

Date: _____

Dear Sir or Madam:

The Governmental Ethics Commission in fulfilling its responsibilities to administer the 1974 Campaign Finance Act requests your cooperation in the routine examination of campaign contribution reports. As part of our examination, we are seeking to verify on a sample basis, contributions reported by political candidates and committees for state elections, including legislative races, during 1974.

Reports by one or more candidates or committees have shown a contribution or contributions made by you. On the back of this letter please list separately each contribution you made during 1974 to the candidate, political party, or other political committee shown at the top of the page. If additional space is required, append supplemental pages to this form.

Please return your reply directly to the Governmental Ethics Commission, 109 West 9th, Topeka, Kansas 66612, using the enclosed stamped, self-addressed envelope. Your prompt attention to this request will be most appreciated.

Sincerely,

Lynn Hellebust
Executive Director

Name of candidate, political party or other political committee: _____

1. Amount: _____

Date of contribution: _____

Type of contribution (check, cash or in-kind*): _____

2. Amount: _____

Date of contribution: _____

Type of contribution (check, cash or in-kind*): _____

3. Amount: _____

Date of contribution: _____

Type of contribution (check, cash or in-kind*): _____

4. Amount: _____

Date of contribution: _____

Type of contribution (check, cash or in-kind*): _____

5. Amount: _____

Date of contribution: _____

Type of contribution (check, cash or in-kind*): _____

Signed: _____

Date: _____

*Any non-monetary contribution which is a "thing of value" is an in-kind contribution. If in-kind, please describe briefly. The amount is the Fair Market Value of the item contributed; that is, the price of the item if it were to be purchased, sold or leased.



GOVERNMENTAL ETHICS COMMISSION

109 W. NINTH
TOPEKA, KANSAS 66612
PHONE: (913) 296-4219

Expenditure Inquiry

To: _____

Date: _____

Dear Sir or Madam:

The Governmental Ethics Commission in fulfilling its responsibilities to administer the 1974 Campaign Finance Act requests your cooperation in the routine examination of campaign spending reports. As part of our examination, we are seeking to verify on a sample basis, expenditures reported by political candidates and committees for state elections, including legislative races, during 1974.

Reports by one or more candidates or committees have shown an expenditure or expenditures made to you. On the back of this letter are listed the expenditures reported as being made with you by the candidate, political party or other political committee shown at the top of the page. Please indicate if the listing is correct. If additional space is required, append supplemental pages to this form.

Please return your reply directly to the Governmental Ethics Commission, 109 West 9th, Topeka, Kansas 66612, using the enclosed stamped, self-addressed envelope. Your prompt attention to this request will be most appreciated.

Sincerely,

Lynn Hellebust
Executive Director

Expenditures

_____ has reported that the following expenditures were made with you from _____ to _____. Please indicate if the date, purpose and amount are correct. If incorrect, please explain below. If additional space is required, append supplemental pages to this form.

Date	Purpose	Amount	Correct	Incorrect

If any are incorrect, please explain: _____

Finally, please list any political expenditures made with you during the period indicated that are not listed above:

Date	Purpose	Amount