

M I N U T E S

SPECIAL COMMITTEE ON FEDERAL AND STATE AFFAIRS

September 9 and 10, 1975

Members Present

Senator Neil Arasmith, Chairman
Representative Lloyd Buzzi, Vice-Chairman (September 10)
Senator Arden Booth
Senator Charles Wilson
Representative Paul Feleciano
Representative Eugene Gastl
Representative Bill Morris
Representative Carlos Cooper
Representative Tom Slattery
Representative Jim Ungerer
Representative Joseph Mikesic
Representative Eugene Anderson

Staff Present

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

Others Present

Gary Robbins, KSNA, Topeka
Kenneth Marshall, State Representative, Topeka
Alvin Knatt, Department of Social and Rehabilitation Services,
Topeka
Jim Turner, Savings and Loan League, Topeka
Earlene Neuway, Burrton Housing Authority, Burrton
Mary Ellen Long, Vice-Chairman, KARP
Charles Lusk, KDED, Topeka
Paul M. Klotz, League of Kansas Municipalities, Topeka
Ruth Wilkin, State Representative, Topeka
Dean Kackley, Governor's Office, Topeka

The meeting was called to order by the Chairman who stated that, during the two day meeting, consideration would be given to Proposal No. 17, 18, 19 and 20, and that it would be the goal to give direction to staff concerning final reports. He explained that it was his practice to draft a brief resume of his own, and that he would distribute this summary to members as soon as possible.

The Chairman announced that he expected the entire day of September 10th to be devoted to Proposal No. 18, the Housing Finance Authority, and that an attempt would be made to make decisions on Proposals No. 17, 19 and 20 today. He called attention to the State Affirmative Action Plan, and also to a letter of instructions from Pamela McClelland-Cooper (Attachment I), which pertains to the plan. He further stated that he had talked to Dr. Conard in the Governor's office and General Weltmer of the Department of Administration, and they had promised to provide information to the Committee if any reaction came to them concerning the plan.

A member stated that, in testimony before the Committee, it seemed that the largest percentage of minorities and women were being hired in the lower levels. He called attention to the goals of the plan as shown on page six and suggested that they may not be practical. He stated that he would like to see the figures reflect that there is some kind of balance from the entry levels to the top management positions.

The Chairman pointed out that the Affirmative Action Plan is just now being initiated; that the Committee had delayed its decision until it had an opportunity to review the plan in printed form; and now it appears it may be necessary to delay decisions until some time has elapsed to see if the plan is going to work.

The Chairman reminded members that testimony had been given at an earlier meeting concerning an alleged discriminatory act in the Highway Department, by a temporary employee whose job had been terminated. He inquired if members felt the matter had been handled adequately, and it was the consensus that the matter had been handled properly.

One member expressed the opinion that what he was hearing about sex discrimination really concerned equal pay for equal work and, that it appeared in some instances women were doing work requiring higher qualifications than males, and were getting less pay. Another member stated that since there is an affirmative action program, it should be given a chance to work and that possibly an evaluation could be made by the time the next session convenes.

The Chairman inquired how members would react to including in the report, a recommendation that an in-depth study be made of the Division of Personnel. He explained that he had some feedback from individuals and agencies that the Personnel Division is the biggest bureaucracy in the state and that it is very difficult to secure any information from the Division. He pointed out that there had been testimony about how some people avoid the "rule of five", and other problem areas.

A member mentioned that numerous things had come out of the testimony, and inquired if the Committee could acquire some written comments from other conferees after they read the proposed plan. The Chairman stated that staff could write to these people and their replies could be put in the interim report.

It was moved by Representative Cooper and seconded by Representative Morris that a request be made for an in-depth study into the operation of the Division of Personnel by a legislative committee. Motion carried unanimously.

A member suggested that Mrs. Thompson from Manhattan had a lot of details and information, but that he feels January would be too soon to notice any change. He suggested another look in about a year would be more meaningful.

One member mentioned that he receives the job announcement from Personnel but that by the time he receives them, the announcement has expired. It was noted that several representatives of minority groups had made the same complaint.

The Chairman stated that he had some complaints regarding retired military personnel; that the complainants felt the retired people who are drawing retirement benefits should not receive preference in job applications. It appeared that the complaints did not apply to discharged veterans who had simply served a period of time in the military.

One member expressed concern about provisional hiring where there was already an available list of people who had taken the examination. Another member suggested that the "rule of five" should be looked at.

The Chairman inquired if the military matter and the "rule of five" is not really a Civil Service Matter, and one member felt this could be incorporated into the study of the Personnel Division.

Mr. Mills inquired if the study committee would be a standing committee or an interim committee. There was discussion as to whether a standing committee could devote adequate time to such a study during the session, and suggestions were made that it should be a special committee, or a special subcommittee within

a standing committee. One member stated he would like to see the hiring practices in the Judicial Branch and the Legislature looked at also.

The Chairman mentioned some specific complaints concerning hiring practices and practices in promotions.

Mr. Knatt of SRS, pointed out that under the new Affirmative Action Plan, a report is required to be made by each agency to Mrs. Cooper's office.

One member suggested that if these things are going to be looked into, they should also look at the manner by which a department can get rid of a bad person; that sometimes people are hired who do not actually perform but who are impossible to dismiss. Another member pointed out that Dr. Harder had testified that to do this you establish a thick file before proceeding to dismiss, and that it is a long, drawn-out process. Another member suggested that there is a tendency in affirmative action programs for a business to deliberately hire a poorly qualified individual who does not work out and then point out that these plans do not work.

One member suggested that all such programs begin under threats and that this is no way to make the programs work; that people react to force and that people are really changing, but that it cannot happen all at once. The Chairman pointed out that in looking at appointments to the different commissions, it is apparent that the Governor's office is doing what the plan mentions; actively looking for women and minorities for representation, but at the same time, looking for qualified people, and that he believes the balance is beginning to take place.

Mr. Knatt of SRS stated that he is trying to sell Dr. Harder on an incentive program to counteract the "threat" aspect; that if a person meets or surpasses the set goal, then more positions are allocated as a reward.

The Chairman inquired if the report on Proposals No. 17 and 19 could be combined, or if they should be separate. One member felt they could be incorporated, and after considerable discussion it was moved by Senator Wilson and seconded by Representative Feleciano that the two be combined. Motion carried without dissent. Staff was instructed to write an interim report, based on Committee discussion, combining the two. Mr. Mills asked for direction concerning the proposed study committee and the Chairman suggested that the Legislative Coordinating Council be requested to appoint a Special Legislative Committee in January to conduct the study.

The meeting was recessed.

Afternoon Session

The Chairman called for discussion on Proposal No. 20, the Governmental Ethics Commission. He stated that the minutes of the last meeting were quite comprehensive concerning the discussion, and he complimented the Committee on their frank and open discussion, not only on this subject, but on the subjects discussed at this morning's session. He stated it was his impression that the Committee felt the Ethics Commission was following the instructions set out in the statutes but that perhaps some strong direction had been needed.

A member expressed the opinion that some changes may be needed, but lauded Mr. Hellebust and members of the Commission for their efforts in implementing the law. He expressed the opinion that thought should be given as to when a person becomes a candidate; that it could be at a specific time, at the time of filing, or upon public announcement. Another of his concerns was the "in-kind" contribution where it is virtually impossible to determine actual value. He also expressed concern that if a contributor must go through his records and confirm a contribution, it will dry up a source of contributions.

The Chairman suggested the Committee had gotten rather far afield from its original charge, and that if changes are to be made it will have to be through the drafting of legislation. He pointed out that the Committee had been charged to determine if the Commission is carrying out its statutory responsibilities.

One member stated that he felt they are carrying out the requirements of the law and doing a fine job, but feels that legislation should be recommended to remedy the things mentioned. Another member stated he feels that, when the Commission checks with a contributor, it is really harassment.

The Chairman stated that the Commission itself would probably request or recommend legislation and that they had requested a number of changes in the Elections Committee last year. A member inquired if in the course of a campaign, an employer gave the candidate a month off from work with pay, would this be "in-kind" contribution. The Chairman stated that it is his impression that it would not be.

A member suggested there should be some discussion concerning the lobbyist control part of the law, and suggested that both the Ethics Commission and a spokesman for KSAE be invited to discuss the effect of the law.

The Chairman suggested that staff draft a report from the testimony and at the October meeting some of the lobbyists could be invited to appear and discuss the law. He stated the Committee could ask that a bill be drawn making some of the changes mentioned.

One member inquired about a candidate who wins the primary and has no opposition in the general election -- who is still required to continue all of the filings even though he spends no money. Senator Booth agreed to make an inquiry and report back on this matter.

It was moved by Senator Booth that an amendment be proposed to the existing law, to define when a person becomes a candidate, along the lines of time of filing, accepting a contribution, or making an expenditure in excess of \$25.00. Motion was seconded by Representative Cooper and carried without dissent.

The Chairman inquired about the reporting requirement for those individuals who have no opposition, and suggested that, if a candidate makes no expenditures and accepts no money, he should perhaps be exempt from making the reports. A member suggested that another area of concern is when an individual files by petition, because by the time you get an opinion as to whether the petition is valid, the filing deadline is past. The Chairman suggested that this matter should be discussed with the House and Senate Elections Committee, and a recommendation made that the Canvass Committee meet prior to the deadline. He suggested that the report mention some of these problems as recommendations to the legislature.

The Chairman stated the Committee could hear from some lobbyists at the next meeting, and staff was requested to ask Mr. Pat Hubbel to appear at that time. Also, the Committee expressed the desire to have Mr. Hellebust or someone from the Ethics Commission present.

The meeting was recessed to convene at 9:30 a.m., September 10, 1975.

September 10, 1975

The meeting was reconvened, and the Chairman asked members if they had been able to review the minutes of the previous meeting. It was moved by Representative Morris and seconded by Senator Wilson that the minutes be approved. Motion carried.

The Chairman pointed out that members had received copies of the draft of the proposed Housing Finance Authority bill, (Attachment II) and that this was a new bill which incorporated the changes discussed by the Committee at the last meeting, although there are items in the bill which also appeared in H.B. 2612. The Chairman pointed out some language concerning rural, urban and rehabilitation of housing is taken from a California bill and appears in Section 2. He stated there are not many items different from what Committee discussion dictated, but in some cases staff felt certain items needed to be included.

Representative Morris distributed copies of an article which appeared in U.S. News and World Report (Attachment III), and explained that it expresses some of his concerns about getting into the housing field.

Miss Torrence was asked to discuss the draft, section-by-section. She explained that new Section 2 speaks to the balance of new construction, rehabilitation, and rural vs. urban housing. One of the members inquired about the phrase "statewide housing plan" and Miss Torrence explained that this is a federal mandate. Mr. Mills explained that this is being done by the Planning Division of KDED. Mr. Lusk stated that August, 1977 is the mandated deadline for completion of the plan.

Miss Torrence explained that some of the excess definitions were removed in Section 3, and subsection (c) concerning development costs is new. She suggested that the Committee decide whether or not they want development costs in the bill. It was established that had been discussed by the Committee at the last meeting. A member expressed concern as to what is "reasonable profit" as discussed on page two. Another member felt that the Authority would make that decision. Another member felt that Section 5 gives them broad powers to do whatever they want to anyway.

Mr. Mills stated he feels that, if development costs are retained in Section 3, the Authority should be granted the powers to allow these costs in Section 5. Miss Torrence stated that it could be inserted under the mortgage purchase program and loans to lenders program. One member inquired if the same thing could not be accomplished in Section 3, (c) by stopping after the word "housing" because if they are going to be the final authority, there is no reason to list everything.

Mr. Jim Turner expressed the opinion that it was a Housing Finance Bill vs. Housing Authority, and if you are establishing a Housing Authority you need Section 3, although he could not support it with that section. He stated that Section 5 allows exactly what it says in Section 3.

One member explained that he wants something to allow the state to accept federal monies and that he is not in favor of spending any state funds.

It was moved by Representative Ungerer and seconded by Senator Wilson that subsection (c) be stricken. Motion carried by a majority vote. Representative Ungerer explained that he is not against a Housing Authority but he does not want the state to get into the business of owning property. He stated, also, that he does not want the state in the business of direct lending, but rather to make the funds available to lending institutions and let them do the paper work.

Miss Torrence explained that the powers of the Authority are limited to the programs provided for in the bill, and the powers are limited to the purposes and provisions of the Act.

One member expressed concern that they can employ all kinds of expensive people; that the state would have the right to own property, to sell, and to own mortgages.

Miss Torrence explained that the Authority would be purchasing mortgages from the lending agencies and making loans to financial institutions. She further explained that the Authority can lend money to the lending institutions or buy mortgages from the lending institution and then the companies can loan that money.

Mr. Turner explained this is what is known as a "flow of capital" and, if the state purchased a mortgage, the Authority would have to write regulations which relate to the foreclosure aspects.

Senator Booth stated that on page 7, (i) there are a lot of people listed and he thinks that this is not necessary, although if the state is to help the small communities as he visualizes, they will need some personnel. The Chairman stated he understood this did not mean permanent positions, but temporary consultants as needed from time to time. Another member stated he did not think it was necessary to name the people; that it should be a simple, one sentence to allow the employment of temporary personnel if necessary.

A member stated that it had been his impression that the Committee started out to authorize a state agency to accept federal money for housing, and it has wound up with a Housing Authority; that he was under the impression that KDED was just going to have the authority to accept federal money. The Chairman agreed this could have the tendency to replace the agency. Mr. Lusk of KDED explained the State of Oregon issues bonds and the bonds do not go to pay for the cost of any staff or operations; that is handled just like any other line item agency budget; that the bonds go only for housing and the staff is budgeted from the state general fund.

The Chairman stated that it was his impression that they were trying to create a self-supporting agency rather than having an annual appropriation; that there would be a single start-up appropriation which would eventually be repaid.

Miss Torrence explained that on page 3 in the definitions, some of the language was reinserted as voted upon by the Committee at the last meeting. A member expressed reservations concerning "desirable" items (p. 4, line 1) and stated he thought this could get entirely out of hand and become really extravagant. He stated that his thought is to provide adequate and sanitary housing and not provide unnecessary luxuries.

It was moved by Representative Feleciano and seconded by Senator Wilson that the language at the bottom of page three beginning with the word "including" and ending on page four with the word "landscaping" be eliminated. Miss Torrence stated that it might cause a problem insofar as streets and sewers are concerned and Representative Feleciano, with permission from Senator Wilson, amended the motion to strike all after the word "including" on page 3 through the word "to" on page four. Motion carried with one dissenting vote.

Senator Wilson expressed concern about the Governor appointing the Chairman. He moved that the draft be changed to provide that the members elect their own Chairman, but there was no second to the motion.

Miss Torrence explained the provision on page 6, Section 5, concerning perpetual succession, and explained that the Authority would continue even though there is a membership change. She further explained that (f) deals with private bids and contracts and is in line with Committee instructions at the last meeting. Senator Booth explained that the bond market does not lend itself to competitive bidding.

Miss Torrence called attention to page 7, line 4, concerning disposition of property, and explained that this is partly new language to permit the Authority to retain property if a fair market price could not be received within eighteen months.

It was moved by Representative Ungerer that (i) on page 7 be stricken. Representative Cooper stated if (i) is removed, then (j) must be removed also. Senator Booth offered a substitute motion to strike all language in (i) after "purposes" in the second line, through the word "other" in the fourth line. Motion was seconded by Senator Wilson and carried by a majority vote.

Miss Torrence pointed out that on page 11 (d) there was a change concerning private bidding. On page 12, Section 9 there was a technical change concerning the issue of bonds and notes. The remainder of the provisions concerning bonds and notes were left as in the original bill. On page 15 (g), "personal accountability" was deleted.

Miss Torrence explained that the annual report requirement, page 22, Section 16, had been changed to require submission of the annual report to the Governor, State Treasurer, and the Legislative Coordinating Council rather than legislature. This change was made because the annual report is to be submitted at the end of the fiscal year, i.e., during the legislative interim. New language also provides more specific requirements concerning the contents of the report. New language in (b) places a burden on the Authority to attempt to provide at least 25% of the units financed to low income families.

Representative Feleciano asked to return to the annual report requirement, and stated he would like to have the report himself. After considerable discussion, it was moved by Representative Ungerer and seconded by Representative Feleciano that the provision should be amended to read "and made available to any member of the legislature so requesting same from the Housing Authority." Motion carried by a majority vote.

Miss Torrence stated that Senator Reilly had expressed reservations about the impact on taxes if the state should foreclose and thereby remove property from the tax rolls, even temporarily. It was agreed by members that this could be a critical issue. Mary Ellen Long, the Mayor of Virgil, Kansas, stated this is a serious matter; that she had just gone through the budget and to change the tax base in any way would jeopardize small towns.

Mr. Mills suggested that language similar to the Connecticut act, which provides for a payment in lieu of taxes, might be incorporated in the draft (Attachment IV).

It was moved by Representative Slattery and seconded by Senator Booth that staff draft the proper language which would require the state to make payments in lieu of taxes as in the Connecticut act. Motion carried without dissent.

Miss Torrence explained the only other change is in the final section and provides for the act to take effect upon publication in the official state paper rather than the statute book. This would allow it to go into effect two to four months earlier than with statute book publication. There was considerable discussion on this point and Senator Booth pointed out that the final decision could be made in January about the date.

Representative Cooper asked for clarification about construction loan notes and bond anticipation notes, and stated it looks as if the state would be in the direct loan business. Representative Buzzi stated these are types of interim financing. The Chairman asked if the Committee would accept the insertion of "approved lending institutions" on page 3 (j) and Representative Cooper stated it would be consistent. It was moved by Representative Ungerer and seconded by Senator Booth that "or construction loan notes" be stricken from (j) on page 3. Representative Cooper offered a substitute motion that staff develop language appropriate to assure that the state is not involved in direct financing, and yet retain some interim financing. Motion was seconded by Representative Slattery. After extensive discussion motion carried without dissent.

Sentiment was expressed by members that the Authority should deal with local housing authorities. A member of KDED stated that there can be all kinds of housing authorities -- community, city, county, or groups of these. Others expressed concern that one authority might override the other. Senator Booth stated that his support of the bill hinged on this very element -- local participation.

Senator Booth offered three alternatives: (1) Developers and lending agencies can come to the Authority and make a request; (2) make it optional that a municipality or local unit could come to the state with a proposed project; (3) require that the request come from the local unit rather than a developer.

The Chairman stated that there had been some discussion about a field staff for the Authority, in which case assistance would be closer to the local unit. The Mayor of Virgil urged that even though a town may be small, people on the local level know far more about their needs than someone outside and that it is the technical assistance which is needed.

It was moved by Senator Booth and seconded by Representative Cooper that staff prepare two alternatives: one mandatory and one permissive. Motion carried without dissent.

The meeting was recessed to reconvene at 1:40 p.m.

Afternoon Session

The meeting was reconvened and the Chairman called attention to a Minority-Female Composite Report which was prepared by the State EEO office. He urged that members study this with the idea that they would find answers to questions which had previously arisen. (Copies of this report and the affirmative action plan are on file in LRD.)

Senator Booth reported on his conversation with Mr. Hellebust, and stated that the forms to lobbyists will be in the mail early next week; that Mr. Hellebust is willing to attend the next meeting although he felt lobbyists might speak more frankly if he were not present.

With regard to the candidate without opposition, Mr. Hellebust says the Commission is going to take this under consideration very soon. His informal reaction was that he would not object to legislation which gave relief to such individuals. The Committee agreed it would like to hear from both lobbyists and Mr. Hellebust.

The effective date of the proposed Housing Finance Act was again discussed. It was moved by Senator Wilson and seconded by Representative Ungerer that it be upon publication in the statute book. Motion carried 4 to 1.

Miss Torrence asked for direction in regard to Section 2 - Statewide Housing Plan. It was moved by Senator Booth and seconded by Senator Wilson that Section 2, page 1, be amended in the fifth line by inserting the word "needs" after "housing" and inserting the words "needs for" after "between". Motion carried by a majority.

Miss Torrence inquired if anyone had requested an opinion from the Attorney General on this proposed bill. Representative Feleciano stated he had requested one but it had not been received. Miss Torrence was given authority to make another request.

Staff was requested to draft a general report on this proposal which can be considered and amended at the October meeting. Staff was given permission to make copies of the next draft available to those who request it. The Chairman announced the next meeting was scheduled for October 7 and 8, 1975, 9:30 a.m. The meeting was adjourned.

Prepared by J. Russell Mills, Jr.

Approved by Committee on:

10-7-75

(Date)

Department of  Administration

EQUAL EMPLOYMENT OPPORTUNITY OFFICE
503 Kansas Avenue
Topeka-66603

August 12, 1975

TO: Directors of State Agencies

FROM: Pamela McClelland-Cooper
State Director of Equal Employment Opportunity

SUBJECT: Governor Bennett's Executive Order No. 75-9
and the State Affirmative Action Plan for
Equal Employment Opportunity dated August 1, 1975

PURPOSE:

The enclosed State Affirmative Action Plan of which Governor Bennett's Executive Order 75-9 is an intricate part, has been prepared to furnish information on the operation of the state plan and the development of agency affirmative action plans. The enclosed plan is to serve as a reference document for the orientation of management. The list of goals and activities and organizational structure only suggests what may be done. It in no way places limits on activities or enumerates only those goals which are required. Management must decide for itself what goals and activities are needed in state agencies and then mobilize the agencies and local resources to carry them out.

The Governor's Executive Order 75-9, prescribes additional arrangements for developing and coordinating a state-wide affirmative action program for equal employment opportunity (EEO). These arrangements expand the role of the Secretary of Administration and particularly the newly established State Equal Employment Opportunity Office in coordinating and implementing affirmative action in state government for EEO.

BACKGROUND INFORMATION:

Equal employment opportunity for all individuals, and particularly protected classes (e.g., minorities, females, handicaps, aged) is clearly going to be the major thrust of the federal government and local activists in the foreseeable future. Therefore, if this thrust is not met openly and directly the fare to the State of Kansas may be a costly adventure.

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To appreciate fully the trend toward greater emphasis on EEO, and Governor Bennett's concern for positive action, it is necessary to be aware of and to examine the many federal enactments that apply to state government.

On the federal level, in addition to the Constitution, there are the Civil Rights Acts of 1866, 1870 and 1964, as amended; Executive Orders 11141, 11478, 11246, and Revised Order No. 4, and rules, regulations and guidelines promulgated thereunder. In addition there are state and local laws against employment discrimination.

The best and most dramatic example of the impact laws have had on organizations is found in the recent settlement, between AT&T, the Federal Equal Employment Opportunity Commission and the U. S. Department of Labor. In this settlement AT&T agreed to pay a \$38 million settlement, including back pay and immediate promotions, to affected classes of females and minorities in all of its operating companies. In addition AT&T was ordered to change or modify many of its personnel practices which, in the past had denied jobs, promotions and raises to classes protected under law. Other court decisions and EEOC rulings have proved to be extremely costly for the defendants (employers).

Prior to March 1972, the State of Kansas had been exempt from Title VII of the Civil Rights Act of 1964. Because of this, most public employers have not had their "baptism of fire" on many of these issues. However, city, county and state governments are now covered by these federal laws, and this coverage creates great responsibility and significant exposure for the state in terms of policy, image, politics and dollars. In the final analysis, investment in a viable and effective affirmative action program is the best and cheapest security (insurance) available.

Governor Bennett's leadership in adopting a state plan for non-discrimination in employment has set in motion one of the most severe challenges our administrative and management organizations has ever had to face. The Governor's creation of a realistic affirmative action program puts the State of Kansas on record as having a forward looking policy. But to translate that commitment into action, is an extremely complex and costly proposition.

To be successful, the Governor has mandated effective equal employment opportunity change. This success will entail change in behavior, policy and practices in all facets of state government's employment and promotional opportunities where equal and full participation by all citizens with the state

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government system has been excluded. Change for many is a bitter pill and like all forms of bad medicine may be resisted at all cost. In 1975, however, change is no longer an option but a must. With management's commitment, support and personal interest, state government can achieve one of the finest affirmative action programs and demonstrate the real leadership and integrity that is characteristic and expected of the State of Kansas.

INSTRUCTIONS:

Please note -- most questions you may have pertaining to the state plan and the establishment of your agency plan are found in the enclosed document. However, a few additional instructions may be of assistance.

1. The state affirmative action plan affects all state agencies as defined in the Governor's Executive Order 75-9. The Executive Order is an adopted part of the state plan.
2. All Appointing Authorities are responsible for implementing the state plan through design of an agency affirmative action plan.
 - a. Agency written affirmative action plans must be submitted to this office by November 1, 1975 for state approval. Guidelines are found in Chapter III of the state plan.
 - b. Agencies with existing plans may submit those plans for evaluation. There is no need to design a new plan at this time. For the most part, these will be Grant-in-Aid agencies. The federal guidelines used in the design of these plans will be consistent with the guidelines established in the state plan.
 - c. Agencies that have previously submitted plans to the Director of Equal Employment Opportunity must resubmit one additional copy for purposes of a systematic filing and evaluation system.
 - d. Agencies submitting a plan, need only submit one universal plan. For example, an agency may require supplemental plans from its units, sections, etc., but only the agency universal plan is to be submitted to this office.

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- e. Agencies with less than 15 employees are not required to submit a written affirmative action plan. However, these agencies are expected to:
 1. submit the quarterly reports located in the appendix of the state plan,
 2. adopt and implement the non-discrimination policies as set forth in the state plan.
3. Submit the following information on the individual(s) responsible for the design of the agency plan to this office by November 1, 1975:
 - a. Name
 - b. Civil Service Classification
 - c. Working Title
 - d. Salary Range
 - e. Name and Civil Service Classification of Immediate Superior
4. Become familiar with the report forms located in the appendix. These forms will be used for quarterly reports sent to this office, the first of which are due October 1, 1975.
5. For your convenience two state Affirmative Action Plans and two "Who to Contact" (minority and female recruitment book) books have been enclosed. Please assess your organizational structure and request the additional books needed for your agency distribution (e.g., EEO Officer, Personnel Officer, etc.).

ACTION:

Upon receipt of the state plan management should make efforts to study the plan so that the established goals and timetables may be met on schedule.

POINT OF CONTACT:

If there are any questions pertaining to this document, the state plan, "Who to Contact", or the State Equal Employment Opportunity Office, please contact Pamela McClelland-Cooper at 296-4288, 503 Kansas Avenue, Room 542.

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CONCLUSION:

It is my sincere hope that each of us will take a positive attitude about the newly established State Equal Employment Opportunity Office, the State Affirmative Action Plan, and our new EEO responsibilities and will work vigorously to protect the state and its employees from penalties mandated by federal enforcement agencies or by the courts. The courts and enforcement agencies message to us is simple, either we do it (comply) or they'll do it for us. AT&T can attest to the fact that their doing it is a very costly proposition.

Pamela McClelland-Cooper

Pamela McClelland-Cooper
State Director of Equal
Employment Opportunity

PMcC-C:sm

Working Draft II

PROPOSED BILL NO. _____

By Special Committee on Federal and State Affairs

AN ACT establishing a state housing finance authority; prescribing the powers, duties and authority of such authority; providing for the administration and operation of such authority and the financing of its operation and programs.

be it enacted by the Legislature of the State of Kansas:

Section 1. Short title. This act shall be known and may be cited as the "Kansas housing finance authority act."

Sec. 2. Purpose of act. The purpose of this act is to provide financing for residential housing for sale or rental to persons or families of low or moderate income. In carrying out this purpose, the Kansas housing finance authority shall seek to attain a balance between rural and urban housing ^{needs} and between ^{needs for} family housing and housing for the elderly and handicapped, in general proportion to the needs identified in the statewide housing plan. The authority shall also give priority consideration to, and reserve funds for use in connection with, rural and urban housing rehabilitation programs.

Sec. 3. Definitions. The following words and terms shall have the meaning indicated unless the context shall clearly indicate a different meaning:

(a) "Authority" shall mean the Kansas housing finance authority created by this act;

(b) "Bonds" mean any bonds issued by the authority pursuant to this act;

(c) "Development costs" shall mean the total of all costs approved by the authority as reasonable and necessary in connection with residential housing, which costs shall include, but not necessarily be limited to, the following: Costs of land and improvements thereon, including payments for options, deposits or

contracts to purchase properties on the proposed housing site or payments for the purpose of acquiring such properties; costs of site preparation, demolition and development; fees for architectural, engineering, legal, accounting, and other services paid or payable in connection with the planning, execution and financing of residential housing; costs of necessary studies, surveys, plans and permits; costs of insurance, interest, financing, tax, assessments and other operating and carrying costs during construction; costs of construction, rehabilitation, reconstruction, fixtures, furnishings, equipment, machinery and apparatus related to the real property; costs of land improvement including, but not limited to, landscaping and off-site improvements; necessary expenses in connection with initial occupancy of residential housing; reasonable builder's and developer's profit and risk fee in addition to job overhead; an allowance established by the authority for working capital; and the cost of such other items as the authority shall determine to be reasonable and necessary for the development of residential housing;

(d) "Federally insured mortgage" means a mortgage loan for residential housing insured or guaranteed by the United States of America or a governmental agency or instrumentality thereof, or a commitment by the United States of America or a governmental agency or instrumentality thereof to insure such a mortgage;

(e) "Governmental agency" means the United States of America, the state, any other state and any department, division, public corporation, public agency, political subdivision or other public instrumentality of any of the foregoing or of any two or more thereof;

(f) "Lending institution" means any bank or trust company, federal national mortgage association approved mortgage banker, credit union, national banking association, federal or state savings and loan association or federal credit union;

(g) "Low or moderate income families" means families of one or more persons, irrespective of age, marital status, race, creed, national origin or sex, determined by the authority to

require such assistance as is made available pursuant to this act on account of insufficient personal or family income taking into consideration among other factors: (1) The amount of the total income of such family available for housing needs; (2) the size of the family; (3) the cost and condition of housing facilities available; (4) the ability of such persons and families to compete successfully in the normal private housing market and to pay the amounts at which private enterprise provides sanitary, and safe housing; and (5) standards established for various federal programs determining eligibility based on income of such person and families;

(h) "Mortgage" means a mortgage deed, deed of trust, or other instrument which shall constitute a lien on real property in fee simple or on a leasehold under a lease having a remaining term, at any time such mortgage is acquired, which does not expire for at least that number of years beyond the maturity date of the obligation secured by such mortgage as is established by the authority as necessary to protect its interest as mortgagee;

(i) "Mortgage loan" means an interest bearing obligation secured by a mortgage on land and improvements in the state;

(j) "Notes" means any bond anticipation notes or construction loan notes issued by the authority under and pursuant to this act;

(k) "Real property" means all lands, including improvements and fixtures thereon, and property of any nature appurtenant thereto, or used in connection therewith, and every estate, interest and right, legal or equitable, therein including terms of years and liens by way of judgment, mortgage or otherwise and the indebtedness secured by such liens; and

(l) "Residential housing" means one or more new or existing residential dwelling units financed pursuant to the provisions of this act for the primary purpose of providing sanitary, decent and safe dwelling accommodations for low or moderate income families in need of housing, (including any buildings, land, improvements, equipment, facilities or other real or personal properties

which are necessary, convenient, or desirable in connection therewith, including, but not limited to, streets, sewers, utilities, site preparation and landscaping.)

Sec. 4. Creation of the Kansas housing finance authority. There is hereby created a body politic and corporate to be known as the "Kansas housing finance authority." The authority is hereby constituted a public instrumentality and the exercise by the authority of the powers conferred by this act in the financing of residential housing shall be deemed and held to be the performance of an essential governmental function.

The powers of the authority shall be vested in seven (7) members appointed for terms of four (4) years by the governor, with the advice and consent of the senate. Four (4) of such members, as determined by the governor in his or her sole discretion, shall have experience in home building, real estate, mortgage lending, commercial banking or architecture. The terms of four (4) of the first members appointed, shall end on the thirtieth day of June, 1977, and the terms of three (3) of the first members appointed, shall end on the thirtieth day of June, 1979. All members shall be residents of the state of Kansas and upon the removal of the residence of any member from the state a vacancy shall occur in the position of such member. Any vacancies in the membership of the authority shall be filled in the manner provided for original appointments but only for the remainder of an unexpired term. Each member shall hold office for the term of such member's appointment and until a successor shall have been appointed and qualified. A member shall be removed from office upon conviction of a felony and may be removed from office at any time by the governor upon recommendation of the remaining members of the authority for continued neglect of duties required by law or for incompetency or misconduct. Each member of the authority before entering upon his or her duties shall take and subscribe an oath or affirmation as required by law.

The governor shall appoint a chairman from among the members

for a term of one year, and the members shall annually elect from among their number a vice-chairman and such other officers as they may determine necessary. Meetings shall be held at the call of the chairman, or whenever two members so request. Four (4) members of the authority shall constitute a quorum, and any action taken by the authority under the provisions of this act shall receive the approval of a majority of the members present at any regular or special meeting but in no case shall such action be taken with the approval of less than four (4) members. No vacancy in the membership of the authority shall impair the right of a quorum to exercise all the rights and perform all the duties of the authority.

The members shall receive no compensation for the performance of their duties hereunder, but each such member shall be reimbursed for his or her reasonable expenses incurred in carrying out such duties under this act in amounts provided in subsection (e) of K. S. A. 1975 Supp. 75-3223, and amendments thereto.

Notwithstanding the provisions of any other law, no officer or employee of this state shall be deemed to have forfeited or shall forfeit his or her office or employment by reason of acceptance of membership on the authority or service thereto.

The director of the division of housing of the department of economic development shall be the secretary of the authority and when acting in such capacity shall be subject to the direction and control of the members of the authority and shall administer, manage and direct the affairs and business of the authority, subject to the policies, control and direction of the members thereof. The staff of the division of housing of the department of economic development shall serve as the staff of the authority and when acting in such capacity shall be subject to the direction and control of the members of the authority. The members may delegate to the director and members of the staff or any of the technical experts, advisors or consultants employed by the authority, such administrative duties as it may deem proper. All budgeting, purchasing and related management functions of the

authority shall be administered under the direction and supervision of the director of housing as secretary of the authority. All vouchers for expenditures for operating expenses of the authority shall be approved by the chairman of the authority and the director of housing as secretary of the authority.

The director of housing as secretary shall keep a record of the proceedings of the authority and shall be custodian of all books, documents and papers filed with the authority and of its minute books and seal. The director shall have authority to cause to be made copies of all minutes and other records and documents of the authority and to give certificates under seal of the authority to the effect that such copies are true copies and all persons dealing with the authority may rely upon such certificates.

Sec. 5. General powers. The authority shall have all of the powers necessary or convenient to carry out and effectuate the purposes and provisions of this act including, but without limiting the generality of the foregoing, the power to: (a) Sue and be sued in its own name;

(b) Have an official seal;

(c) Have perpetual succession;

(d) Maintain offices at such place or places within the state as it may designate;

(e) Adopt, and from time to time amend and repeal, bylaws and rules and regulations, not inconsistent with this act, to carry into effect the powers and purposes of the authority and the conduct of its business;

(f) Make and execute contracts and all other instruments necessary or convenient for the exercise of its powers and functions under this act with any governmental agency, private corporation, or other entity, or individual and all contracts made by the authority shall be exempt from the provisions and requirements of all laws of the state which provide for competitive bids in connection with contracts of any kind;

(g) Acquire or contract to acquire real or personal prop-

erty, or any interest therein, on either a temporary or long term basis in its own name by gift, purchase, transfer, foreclosure, lease or otherwise, including rights or easements in property, but the authority shall dispose of any real property not more than eighteen (18) months following the acquisition of such property by the authority unless it is not possible to obtain fair market value, as determined by a licensed appraiser appointed by the authority, for such property; to hold, sell, assign, lease, encumber, mortgage, or otherwise dispose of any real or personal property or any interest therein; to hold, sell, assign or otherwise dispose of any mortgage interest owned by it or under its control, custody or in its possession; and to release or relinquish any right, title, claim, lien, interest, easement or demand however acquired, including any equity or right of redemption in property foreclosed by it and to do any of the foregoing by public or private seal, with or without public bidding, notwithstanding the provisions of any other law;

(h) Enter into agreements or other transactions with, and accept grants and the cooperation of, any governmental agency or other sources in furtherance of the purposes of this act;

(i) Employ, within the limitations of appropriations available for such purposes, (~~architects, engineers, attorneys, accountants, financial experts, real estate consultants, appraisers and such other~~) advisors, technical experts and consultants, when necessary in its judgment to provide assistance or services which cannot be performed or provided by members of the staff and to fix their compensation;

(j) Provide, within the limitations of appropriations available for such purposes, advice, technical information, training and educational services and conduct research and promote the development of residential housing, building technology and related fields;

(k) Make loans to lending institutions;

(l) Purchase mortgages held by lending institutions on residential housing;

(m) Procure insurance against any loss in connection with its property and other assets, including mortgages and mortgage loans, in such amounts and from such insurers as it deems desirable;

(n) Issue bonds and notes as hereinafter provided;

(o) Invest or deposit moneys of the authority, subject to any agreement with bondholders or noteholders;

(p) Renegotiate, refinance or foreclose, or contract for the foreclosure of, any mortgage in default; waive any default or consent to the modification of the terms of any mortgage; commence any action to protect or enforce any right conferred upon it by any law, mortgage, contract or other agreement, and bid for and purchase such property at any foreclosure or at any other sale, or acquire or take possession of any such property; operate, manage, lease, dispose of, and otherwise deal with such property, in such manner as may be necessary to protect the interest of the authority and the holders of its bonds and notes; all subject to any agreement with bondholders or noteholders;

(q) Consent, whenever it deems it necessary or desirable in the fulfillment of the purposes of this act, to any modification with respect to rate of interest, time and payment of any installment of principal or interest, security or any other term of any contract, mortgage, mortgage loan, mortgage loan commitment, contract or agreement of any kind to which the authority is a party, subject to any agreement with lenders, bondholders or noteholders;

(r) Procure or agree to the procurement of insurance or guarantees from the federal government or any governmental agency or instrumentality thereof, or from any private insurance company, of the payment of any bonds or notes issued by the authority or by any lending institution, including the power to pay premiums on such insurance;

(s) Provide insurance for long-term mortgage loans, or portions thereof, purchased by the authority in accordance with this act or made by lending institutions approved by the authority or

participate with other public or private entities in the provision of such insurance;

(t) Purchase and make commitments for the purchase of securities or other obligations issued by lending institutions to finance residential housing, subject to any agreement with bondholders or noteholders;

(u) Charge and collect such fees and charges as the authority may establish from time to time for lending and mortgage purchase programs;

(v) Create and establish such funds or accounts as may be necessary or desirable for furtherance of the purposes of this act; and

(w) Do any and all things necessary or convenient to carrying out its purposes and exercise the powers given and granted in this act.

Sec. 6. Purchase of mortgage loans. (a) The authority shall have, in addition to other powers herein granted, the power to:

(1) Invest in, purchase or make commitments to purchase, and take assignments from lending institutions, of mortgage loans and promissory notes accompanying such mortgage loans, including federally insured mortgage loans or participations with lending institutions in such promissory notes and mortgage loans, for the construction, rehabilitation, purchase, leasing or refinancing of residential housing for low or moderate income families within the state;

(2) Sell, at public or private sale, with or without public bidding, any mortgage or other obligation held by the authority; and

(3) Adopt, modify or repeal rules and regulations governing the purchase and sale of mortgage loans and the application of proceeds thereof.

(b) At or before the time of purchase, the lending institution shall certify to the authority:

(1) That the mortgage loans transferred to the authority are

for residential housing for low or moderate income families within the state; or

(2) That the proceeds of sale or its equivalent shall be reinvested in mortgage loans for residential housing for low or moderate income families within the state in an aggregate principal amount equal to the amount of such sale proceeds.

Sec. 7. Loans to lending institutions. The authority shall have, in addition to other powers herein granted, the power to: (a) Make loans to lending institutions under terms and conditions requiring the proceeds thereof to be used by such lending institutions for the making of new mortgage loans for residential housing for low and moderate income families;

(b) Purchase securities from lending institutions under terms and conditions requiring that such securities finance mortgage loans for residential housing for low or moderate income families;

(c) Require that loans to or securities purchased from lending institutions shall be additionally secured as to payment of both principal and interest by a pledge of and lien upon collateral security in such amounts and consisting of such obligations, securities, and mortgage loans as the authority shall by resolution determine to be necessary to assure the payment of such loans or securities purchased and the interest thereon as the same become due. The authority may require in the case of any lending institution that any required collateral be lodged with a bank or trust company located in the state designated by the authority as custodian therefor. In the absence of such requirement a lending institution shall, if collateral is to be provided for the loan or securities purchased, upon receipt of the proceeds from the authority, enter into an agreement with the authority containing such provisions as the authority shall deem necessary to adequately identify and maintain such collateral and service the same and shall provide that such lending institution shall hold such collateral as an agent for the authority and shall be held accountable as the trustee of an express trust for

the application and disposition thereof and the income therefrom solely to the uses and purposes in accordance with the provisions of such agreement. A copy of each such agreement and any revisions or supplements thereto shall be filed with the secretary of state and no further filing or other action under the provisions of chapter 84 of the Kansas Statutes Annotated or any other law of the state shall be required to perfect the security interest of the authority in such collateral or any additions thereto or substitutions therefor, and the lien and trust for the benefit of the authority so created shall be binding from and after the time made against all parties having claims of any kind in tort, contract, or otherwise against such lending institution. The authority may also establish such additional requirements as it shall deem necessary with respect to the pledging, assigning, setting aside or holding of such collateral and the making of substitutions thereof or additions thereto and the disposition of income and receipts therefrom;

(d) Collect, enforce the collection of, and foreclose on any collateral securing its loan to or purchase of securities from lending institutions and acquire or take possession of such collateral and sell the same at public or private sale, with or without public bidding, and otherwise deal with such collateral as may be necessary to protect the interest of the authority therein, all subject to any agreement with bondholders or noteholders; and

(e) Adopt, modify or repeal rules and regulations governing the making of loans to or purchasing of securities from lending institutions and the application of the proceeds thereof.

Sec. 8. Procedures prior to financing of residential housing. Notwithstanding any other provision of this act, the authority is not empowered to finance any residential housing by the purchase of mortgage loans or the making of loans to lending institutions unless, prior to the financing thereof, the authority finds: (a) That there exists a shortage of decent, safe and sanitary housing at rentals or prices which low or moderate

income families are able to afford within the applicable housing market area as determined by the authority; and

(b) Either that private enterprise and investment have been unable, without assistance, to provide an adequate supply of decent, safe and sanitary housing in such housing market area at rentals or prices which persons or families of low and moderate income are able to afford or that private enterprise and investment have been unable, without assistance, to provide sufficient mortgage financing for residential housing for occupancy by such persons or families; and

(c) That the proposed financing is designed to alleviate the effect of the conditions determined pursuant to subsection (b) of this section on persons and families of low and moderate income.

Sec. 9. Bonds and notes. (a) The authority shall have the power, and is hereby authorized to issue from time to time its negotiable notes and bonds in an aggregate principal amount not exceeding one hundred million dollars (\$100,000,000) to provide funds for the financing of residential housing as authorized under the provisions of this act, the payment of interest on notes and bonds of the authority, establishment of reserves to secure such notes and bonds including the reserve funds created pursuant to section 10 hereof, and all other expenditures of the authority incident thereto. Not less than twenty-five percent (25%) of the proceeds of all bonds issued under the provisions of this act shall be devoted to financing the rehabilitation of existing residential housing for low or moderate income families as authorized under the provisions of this act.

(b) The authority shall have the power, from time to time to issue notes to renew notes and bonds to pay notes, including the interest thereon and, whenever it deems refunding expedient, to refund any bonds by the issuance of new bonds, whether the bonds to be refunded have or have not matured, and to issue bonds partly to refund bonds then outstanding and partly for any of the purposes authorized under the provisions of this act.

(c) Except as may otherwise be expressly provided by resolu-

tion of the authority, every issue of its notes and bonds shall be payable solely out of any revenues or moneys of the authority, subject only to any agreements with the holders of particular notes or bonds pledging any particular revenues or moneys.

(d) The notes and bonds shall be authorized by resolution or resolutions of the authority, shall bear such date or dates and shall mature at such time or times as such resolution or resolutions may provide, except that no bond shall mature more than fifty (50) years from the date of its issue. The bonds may be issued as serial bonds payable in annual installments or as term bonds or as a combination thereof. The notes and bonds shall bear interest at such rate or rates, be in such denominations of five thousand dollars (\$5,000) or more, have such registration privileges, be executed in such manner, be payable in such medium of payment, and at such terms of redemption as such resolution or resolutions may provide. The notes and bonds of the authority may be sold by the authority at public or private sale, at such price or prices as the authority shall determine.

(e) Any resolution or resolutions authorizing any notes, or bonds, or any issue thereof, may contain provisions, which shall be a part of the contract or contracts with the holders thereof, as to:

(1) Pledging all or any part of the revenues of the authority to secure the payment of the notes or bonds, or of any issue thereof, subject to such agreements with noteholders or bondholders as may then exist;

(2) Pledging all or any part of the assets of the authority, including mortgages and obligations securing the same, to secure the payment of the notes or bonds, or of any issue thereof, subject to such agreements with noteholders or bondholders as may then exist;

(3) The use and disposition of the gross income from mortgages owned by the authority and the payment of principal of mortgages owned by the authority;

(4) The setting aside of reserves or sinking funds and the

regulation and disposition thereof;

(5) Limitations on the purpose to which the proceeds of sale of notes or bonds may be applied and pledging such proceeds to secure the payment of the notes or bonds or of any issue thereof;

(6) Limitations on the issuance of additional notes or bonds; the terms upon which additional notes or bonds may be issued and secured; and the refunding of outstanding or other notes or bonds;

(7) The procedure, if any, by which the terms of any contract with noteholders or bondholders may be amended or abrogated, the amount of notes or bonds the holders of which must consent thereto, and the manner in which such consent may be given;

(8) Limitations on the amount of moneys to be expended by the authority for operating expenses of the authority;

(9) Vesting in a trustee or trustees such property, rights, powers and duties in trust as the authority may determine, which may include any or all of the rights, powers, duties of the trustee appointed by the bondholders pursuant to this act and limiting or abrogating the right of the bondholders to appoint a trustee under this act or limiting the rights, powers and duties of such trustee;

(10) Defining the acts or omissions to act which shall constitute a default in the obligations and duties of the authority to the holders of the notes or bonds and providing for the rights and remedies of the holders of the notes or bonds in the event of such default, including as a matter of right the appointment of a receiver, except that such rights and remedies shall not be inconsistent with the general laws of the state and the other provisions of this act; and

(11) Any other matters of like or different character, which in any way affect the security or protection of the holders of the notes or bonds.

(f) Any pledge of revenues or assets made by the authority shall be valid and binding from the time when the pledge is made;

the revenues, or assets, so pledged and thereafter received by the authority shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act.

(g) Neither the members or the director of housing as secretary of the authority nor any other person executing such notes or bonds shall be subject to any personal liability by reason of the issuance thereof.

(h) Bonds or notes may be issued under the provisions of this act without obtaining the consent of any department, division, commission, board, body, bureau or agency of the state; and without any other proceedings or the happening of any conditions or things other than those proceedings, conditions, or things which are specifically required by this act and by the provisions of the resolution authorizing the issuance of such bonds or notes or the trust agreement securing the same.

(i) The authority, subject to such agreements with noteholders or bondholders as may then exist, shall have power, out of any funds available therefor, to purchase notes or bonds of the authority, which shall thereupon be cancelled, at a price not exceeding:

(1) The redemption price then applicable plus accrued interest to the next interest payment thereon, if the notes or bonds are then redeemable; or

(2) The redemption price applicable on the first date after such purchase upon which the notes or bonds become subject to redemption plus accrued interest to such date, if the notes or bonds are not redeemable.

(j) In the discretion of the authority, any obligations issued under this act may be secured by a trust indenture or trust indentures by and between the authority and a corporate trustee, which may be any trust company or bank having the power of a trust company within or without the state. Such trust indenture may contain such provisions for protection and enforcing the rights and remedies of the holders of such obligation as may be reasonable and proper and not in violation of law, includ-

ing covenants setting forth the duties of the authority in relation to the exercise of its corporate powers and the custody, safeguarding and application of all moneys. The authority may provide by such trust indenture for the payment of the proceeds of the bonds and the revenues to the trustee under such trust indenture or other depository, and for the method of disbursement thereof, with such safeguards and restrictions as it may determine. All expenses incurred in carrying out such trust indenture may be treated as part of the operating expenses of the authority. Such trust indenture may limit or abrogate the right of the holders of any bonds, notes or other obligations of the authority to appoint a trustee under this act or limit the rights, powers and duties of such trustee.

(k) Whether or not the notes and bonds are of such form and character as to be negotiable instruments under the provisions of chapter 84 of the Kansas Statutes Annotated, and amendments thereto, the notes and bonds are hereby made negotiable instruments within the meaning of and for all the purposes of chapter 84 of the Kansas Statutes Annotated, and amendments thereto, subject only to the provisions of the notes and bonds for registration.

(l) In case any of the members, director of housing as secretary or officers of the authority whose signatures appear on any notes or bonds or coupons shall cease to be such members, director or officers before the delivery of such notes or bonds, such signatures shall, nevertheless, be valid and sufficient for all purposes, the same as if such members, director or officers had remained in office until such delivery.

Sec. 10. Reserve funds and appropriations. (a) The authority may create and establish one or more special funds, herein referred to as "bond reserve funds," and shall pay into each such bond reserve fund (1) any moneys appropriated and made available by the state for the purpose of such fund, (2) any proceeds of sale of notes or bonds to the extent provided in the resolution or resolutions of the authority authorizing the issuance thereof

and (3) any other moneys which may be available to the authority for the purpose of such fund from any other source or sources. All moneys held in any bond reserve fund, except as hereinafter provided, shall be used, as required, solely for the payment of the principal of bonds secured in whole or in part by such fund or of the sinking fund payments with respect to such bonds, the purchase or redemption of such bonds, the payment of interest on such bonds or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity. Moneys in such fund shall not be withdrawn therefrom at any time in such amount as would reduce the amount of such fund to less than the bond reserve fund requirement established for such fund, as hereinafter provided, except for the purpose of making, with respect to bonds secured in whole or in part by such fund, payment when due, of principal, interest, redemption premiums and any sinking fund payments with respect to such bonds. Any income or interest earned by, or incremental to, any bond reserve fund due to the investment thereof or by reason of any excess above the bond reserve fund requirement may be transferred by the authority to other funds or accounts of the authority to the extent such transfer does not reduce the amount of the applicable bond reserve fund below the bond reserve fund requirement for such fund.

(b) The authority shall not at any time issue bonds, secured in whole or in part by a bond reserve fund if upon the issuance of such bonds the amount in such bond reserve fund will be less than the bond reserve fund requirement for such fund, unless the authority at the time of issuance of such bonds, shall deposit in such fund from the proceeds of the bonds issued, or from other sources, an amount which, together with the amount then in such fund, will not be less than the bond reserve fund requirement for such fund. For the purposes of this section, the term "bond reserve fund requirement" shall mean, as of any particular date of computation, an amount, as determined in the resolution or resolutions of the authority authorizing the issuance of bonds

with respect to which such fund is established, equal to not more than the greatest of the respective amounts, for the current or any single future fiscal year of the bonds of the authority, of annual debt service on the bonds of the authority secured in whole or in part by such fund, such annual debt service for any fiscal year being the amount of money equal to the aggregate of all interest and principal payable on such bonds during the fiscal year, calculated on the assumption that all such bonds are paid at maturity or if any amount of such bonds is required to be redeemed on any earlier date by operation of a sinking fund, then on the assumption that such amount of bonds is redeemed on such earlier date and that such amount is considered principal payable on such bonds during the year they are to be redeemed for purposes of this calculation.

(c) To assure the continued operation and solvency of the authority for the carrying out of its corporate purposes, provision is made in paragraph (a) of this section for the accumulation in each bond reserve fund provided for therein of an amount equal to the bond reserve fund requirement for such fund. In order to assure such maintenance of the bond reserve funds, the chairman of the authority shall annually, on or before September 15 make and deliver to the governor and to the legislative coordinating council such chairman's certificate stating the amount, if any, required to restore each bond reserve fund to the bond reserve fund requirement for such fund. The governor shall submit to the legislature in the next succeeding budget the amount, if any, required to restore each bond reserve fund to the bond reserve fund requirement for such fund. Any amounts appropriated by the legislature and paid to the authority pursuant to this section shall be deposited by the authority in the applicable bond reserve fund.

(d) All amounts paid over to the authority by the state pursuant to the provisions of this section shall constitute and be accounted for as advances by the state to the authority and, subject to the rights of the holders of any bonds or notes of the

authority theretofore or thereafter issued, shall be repaid to the state without interest from all available operating revenues of the authority in excess of amounts required for the payment of bonds, notes or of the authority, the bond reserve fund and operating expenses.

Sec. 11. Refunding bonds or notes. The authority may provide for the issuance of refunding obligations for the purpose of refunding any bonds or notes then outstanding which have been issued under the provisions of this act, including the payment of any redemption premium thereon and interest accrued or to accrue to the date of redemption of such bonds or notes. The issuance of such bonds or notes, the maturities and other details thereof, the rights of the holders thereof, and the rights, duties and obligations of the authority in respect of the same shall be governed by the provisions of this act which relate to the issuance of bonds or notes, insofar as such provisions may be appropriate therefor. Refunding bonds or notes issued may be sold or exchanged for outstanding bonds or notes issued under this act and, if sold, the proceeds thereof may be applied, in addition to any other authorized purposes, to the purchase, redemption or payment of such outstanding bonds or notes.

Sec. 12. Remedies of bondholders and noteholders. (a) In the event that the authority shall default in the payment of principal of or interest on any bonds or notes issued under this act after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty (30) days, or in the event that the authority shall fail or refuse to comply with the provisions of this act, or shall default in any agreement made with the holders of twenty-five percent (25%) in aggregate principal amount of the bonds or notes of such issue then outstanding, by instrument or instruments filed in the office of the secretary of state and proved or acknowledged in the same manner as a deed to be recorded, the holders of such bonds or notes may appoint a trustee to represent them for the purposes herein provided.

(b) Such trustee may, and upon written request of the holders of twenty-five percent (25%) in principal amount of such bonds or notes then outstanding shall, in such trustee's own name:

(1) Enforce all rights of the bondholders or noteholders, including the right to require the authority to collect interest and amortization payments on the mortgages held by it adequate to carry out any agreement as to, or pledge of, such interest and amortization payments, and to require the authority to carry out any other agreements with the holders of such bonds or notes and to perform its duties under this act;

(2) Enforce all rights of the bondholders or noteholders, including the right to collect and enforce the payment of principal of and interest due or becoming due on loans to lending institutions and collect and enforce any rights in respect to collateral securing such loans or sell such collateral, so as to carry out any contract as to, or pledge of revenues, and to require the authority to carry out and perform its duties under this act;

(3) Bring suit upon all or any part of such bonds or notes;

(4) By action or suit, require the authority to account as if it were the trustee of an express trust for the holders of such bonds or notes;

(5) By action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such bonds or notes;

(6) Declare all such bonds or notes due and payable, and if all defaults shall be made good then with the consent of the holders of twenty-five percent (25%) of the principal amount of such bonds or notes then outstanding, to annul such declaration and its consequences.

(c) Such trustee shall, in addition to the foregoing, have and possess all the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of bondholders or noteholders in

the enforcement and protection of their rights.

(d) Before declaring the principal of bonds or notes due and payable, the trustee shall first give thirty (30) days' notice in writing to the governor, to the authority and to the attorney general of the state.

(e) The district court of Shawnee county shall have jurisdiction of any suit, action or proceeding by the trustee on behalf of bondholders or noteholders.

Sec. 13. Alteration of rights of bondholders and noteholders. The state does hereby pledge to and agree with the holders of any notes or bonds issued under this act that the state will not limit or alter the rights hereby vested in the authority to fulfill the terms of any agreements made with the said holders thereof or in any way impair the rights and remedies of such holders until such notes and bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. The authority is authorized to include this pledge and agreement of the state in any agreement with the holders of such notes or bonds.

Sec. 14. Credit of state not pledged. Revenue bonds issued under the provisions of this act shall not be deemed to constitute a debt of the state or of any political subdivision thereof or a pledge of the faith and credit of the state or of any such political subdivision thereof, but all such bonds shall be payable solely from the revenues and assets of the authority. All such revenue bonds shall contain on the face thereof a statement to the effect that neither the state nor the authority shall be obligated to pay the same or the interest thereon except from revenues and assets of the authority and that neither the faith and credit nor the taxing power of the state or of any political subdivision thereof is pledged to the payment of the principal of or the interest on such bonds.

Sec. 15. Notes and bonds as legal investments. The notes

and bonds of the authority shall be legal investments in which all public officers and public bodies of the state, its political subdivisions, all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, banking institutions including savings and loan associations, building and loan associations, trust companies, savings banks and savings associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or in other obligations of the state, may properly and legally invest funds, including capital, in their control or belonging to them. The notes and bonds are also hereby made securities which may properly and legally be deposited with and received by all public officers and public bodies of the state or any agency or political subdivision of the state and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the state is now or may hereafter be authorized by law and shall be eligible as collateral with respect to state moneys required to be collateralized.

Sec. 16. Annual reports. (a) The authority shall, promptly following the close of each fiscal year, submit an annual report of its activities for the preceding year to the governor, state treasurer and the legislative coordinating council. Each such report shall set forth: (1) a complete operating and financing statement of the authority during such year, (2) an analysis of current housing needs in the state, (3) a statement of the authority's proposed and projected activities to meet such housing needs and (4) any recommendations that the authority deems necessary. The annual report shall identify performance goals of the authority and shall clearly indicate the extent of progress in attaining those goals during the preceding year.

(b) At the close of each fiscal year, the authority shall ascertain the percentage of the total housing units financed pur-

suant to this act during the preceding year which are occupied by or available to low income families. If such percentage is less than twenty-five percent (25%), the authority shall recommend, in its annual report, such legislation or other action as may be required to make at least twenty percent (20%) of such units available to low income families.

(c) The authority shall cause an audit of its books and accounts to be made at least once in each fiscal year by a certified public accountant.

Sec. .17. Authorization to accept appropriated moneys. The authority is authorized to accept such moneys as may be appropriated from time to time by the legislature for effectuating its purposes under the provisions of this act including, without limitation, the payment of the initial expenses of administration and operation and the establishment of reserves or contingency funds to be available for the payment of the principal of and the interest on any bonds or notes of the authority.

Sec. 18. Tax exemption. The exercise of the powers granted by this act will be in all respects for the benefit of the people of the state, for the increase of their commerce and prosperity, and for the improvement of their health and living conditions, and the authority shall not be required to pay any taxes or assessments upon any property acquired or used by the authority under the provisions of this act or upon the income therefrom, and any bonds issued under the provisions of this act, their transfer and the income therefrom (including any profit made on the sale thereof) shall at all times be free from taxation within the state.

Sec. 19. Liberal construction. Neither this act nor anything herein contained is or shall be construed as a restriction or limitation upon any powers which the authority might otherwise have under any laws of the state, and this act is cumulative to any such powers. This act does and shall be construed to provide a complete, additional, and alternative method for the doing of the things authorized thereby and shall be regarded as supple-

mental and additional to powers conferred by other laws. No proceedings, notice or approval shall be required for the issuance of any bonds, notes and other obligations or any instrument or security therefor, except as is provided in this act.

Sec. 20. Inconsistent provisions in other laws superseded. Insofar as the provisions of this act are inconsistent with the provisions of any other law, the provisions of this act shall be controlling.

Sec. 21. Separability. If any clause, sentence, paragraph, section or part of this act shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, section or part thereof directly involved in the controversy in which such judgment shall have been rendered.

Sec. 22. Conflict of interest. Notwithstanding any other law to the contrary, it shall not be or constitute a conflict of interest for an officer or employee of any financial institution, investment banking firm, brokerage firm, commercial bank or trust company, architectural firm, insurance company or any other firm, person or corporation to serve as a member of the authority. If any member of the authority shall be interested either directly or indirectly, or shall be an officer or employee of or have an ownership interest in any firm or corporation interested directly or indirectly in any contract with the authority, such interest shall be disclosed to the authority and shall be set forth in the minutes of the authority and the member having such interest therein shall not participate on behalf of the authority in the authorization of any such contract.

Sec. 23. Effective date. This act shall take effect and be in force from and after its publication in the official state paper.

NEXT: Housing Subsidies For 70 Million People?

*Interview With Carla A. Hills,
Secretary of Housing and Urban Development*

Rental subsidy—that's the latest program to help provide homes for low-income families. Secretary Hills came to the magazine's conference room for this report on the many ways the Government offers housing aid.

Q Secretary Hills, what is this new federal program—the rental-subsidy plan—that your Department has begun, and how does it work?

A In simple terms, we are trying to make housing available to more people with low incomes by subsidizing part of their rent with Government funds. This program has a rather forbidding title. It is known as the Section 8 Housing Assistance Payments Program, authorized by the Housing and Community Development Act of 1974. It works like this:

We require a participant in this program to pay from 15 to 25 per cent of the family income for rent, and then we pay the difference between that amount and the family's total rent—at the fair market rate. The money is paid directly to the landlord.

Q Who is eligible for this rental subsidy?

A A household whose income is 80 per cent or less of the median income for families in that area.

Q How many would qualify under that test?

A Probably about 27 million households.

Q How many people would 27 million households include?

A We figure an average of about 2.6 persons per household.

Q So 27 million households would mean about 70 million people. That's about one third of the country's total population—

A But far from all of these families who are eligible on the basis of income will opt for a rental subsidy. Some of them are living in their own homes.

Q Do you have enough money to finance all these people who might apply for rental subsidies?

A No. At the present time we have appropriations to handle 400,000 families for fiscal year 1976 [which began July 1, 1975]. And in fiscal year 1975, we handled over 90,000 contract reservations—meaning that we have reserved money for that many houses or apartments, very often with State housing-finance agencies, so they can count on it if they go forward as they propose. There may be some fallouts.

Congress is eventually going to have to decide how broad it wants this program to be.

Q Do you have any idea what the average rental subsidy might be under this program?

A We tentatively project an average subsidy for a family in an existing structure to be about \$1,800 a year, and for a family in a newly constructed dwelling to be about \$3,200 a year.

Q Can you give us an indication of how much a family might earn and still be eligible for rent subsidy if it lived in an affluent area? Take, for example, Montgomery County, Md., just outside Washington—one of the nation's most affluent counties. Could a family there making as much as, say, \$14,000 get help under this program?

A Income limits are established for an entire housing-market area. In this case, it comprises the District of Columbia and Virginia and Maryland suburbs, including Montgomery County. The median income for this area is now \$18,100—80 per cent of which is \$14,500.

So the answer is "Yes."

Q Can a family rent from just any landlord?

A The landlord must have agreed to participate in the

WHAT U.S. SPENDS TO HELP PEOPLE BUY OR RENT

The U.S. Government spent or helped make available more than 15 billion dollars in the last year to enable about 9.4 million families to buy, rent or build housing.

Those families include an estimated 25 million persons. This means, roughly, that one out of every nine Americans received some kind of housing aid—either in grants or loans or some other form of subsidy financed by the nation's taxpayers.

These figures, for the fiscal year

ending last June 30, come from the U.S. Department of Housing and Urban Development. This vast housing aid was provided by several federal agencies through numerous and varied types of programs.

The Veterans Administration was a major source of assistance. It made available 8.1 billion dollars for housing to about 300,000 families through direct and guaranteed-loan programs and a special program for disabled veterans.

The Farmers Home Administration handled loans of more than 2.2 billions to help more than 100,000 households build, buy or improve housing and to construct rental apartments in rural areas.

HUD gives housing aid through

such a wide variety of programs it is hard to calculate the total yearly cost.

Included in its spending last year was about 2.1 billion dollars in housing-assistance payments for 2.1 million units of subsidized housing.

HUD has outstanding mortgage-insurance contracts for more than 5 million single-family homes and 1.5 million units of multifamily dwellings—with mortgage balances totaling 84.4 billion dollars.

Its mortgage-purchase-assistance programs have committed HUD to buy more than 12 billion dollars' worth of low-interest mortgages for buyers of more than 400,000 units.

Now, on top of all this, HUD is adding a new rental-subsidy plan, the costs of which are still unknown.

INTERVIEW ON HOUSING SUBSIDIES

[continued from preceding page]

program. We work through the public-housing authorities who have found landlords who want the permanent stream of income from the federal subsidies, who are willing to comply with our fair-housing requirements and subject their property to inspection to insure that it is and will remain "decent, safe and sanitary."

Q Does your program cover new construction as well as existing housing?

A Yes. Of the units signed up for in fiscal year 1975, about 58 per cent were for existing housing and 42 per cent for new construction and substantially rehabilitated units. But much of the existing housing is also undergoing rehabilitation for use in the rental-subsidy program.

Q How have landlords and developers responded to this?

A I wouldn't be candid if I didn't tell you that builders have indicated a preference for construction over rental subsidies. There is some resistance to the rental subsidies from all quarters, partly I think because it is a new program. Nobody knows yet precisely how it will work.

Q What are the advantages of this new program over the old programs which stressed financing of new construction?

A First, it permits us to assist the very-low-income people whom we would not assist before. Second, it may prove less expensive than the old programs of subsidizing housing, particularly where we are addressing the same income levels.

But what really excites me is the effect it could have in revitalizing inner cities. The use of existing housing enables us to bring people back into the inner cities.

The era of building ring upon ring of dwellings around the city enticed the people out and robbed the cities of their tax bases. Then, in a period of hard times as we have just experienced, the poor who are left in the cities make greater and greater demands upon social services—and there is no tax source upon which to draw.

I think the time has come to appreciate and to use the valuable existing housing inside our cities. In addition to our housing stock, we have valuable supportive assets such as roadways, utilities and sewers—already built. It is extremely wasteful to ignore those assets and to build new housing in new areas.

By attracting middle-income people back to the inner cities and by subsidizing lower-income persons to enable them to obtain decent shelter permits a better mix of families. The rental-subsidy law tries to encourage a range of income mix. Indeed, the statute specifies a preference for having about 20 per cent of the units in a nonelderly, multi-family housing project subsidized and 80 per cent not subsidized—that is, occupied by people who can afford to pay the full market rent.

Q Has any rehabilitation or new construction actually begun under this program?

A Some rehabilitation may be under way, but as for new construction, I do not think one shovel has gone into the ground yet. We are only at the threshold of this program.

Q Aren't you also experimenting with another type of rental subsidy—a direct allowance for housing?

A Yes. We have a 200-million-dollar experiment at 12 different sites. We give money directly to the family instead of to the landlord and let the family find its own housing.

Q How big are the allowances, and how are they decided?

A It's on a basis similar to the rental subsidy—a comparison of incomes with an area median. They pay part of their housing costs, and we pay the difference. But this program is only a study of the feasibility of direct housing allowances and is still in the experimental stage.

Q What other programs does the Government have to provide more housing?

A The Government National Mortgage Association has agreed to purchase in the past 16 months about 16 billion dollars' worth of mortgages bearing interest rates below the market rate. This is a major subsidy program.

It isn't a home-ownership subsidy like the old 235 program where we would pay all of the debt service except 1 per cent of the interest on a home mortgage. The interest subsidy is less, but it can assist far more home purchases at less cost, and it certainly can provide assistance to build new housing units.

We figure the mortgages purchased average about \$30,000 per mortgage, so we are talking about a half-million mortgages that the Government is helping to finance. That is a tremendous subsidy program to assist people, to obtain a mortgage carrying interest below the market rate.

Q How much of that mortgage-purchase money will go into multifamily dwellings?

A We don't know yet because the authorization to purchase conventional mortgages for multifamily dwellings was just added on July 2. That was one of the recommendations President Ford made.

Q What has happened to your program for the elderly?

A If you mean the so-called 202 program, it is still in effect. It provides low-interest construction loans to sponsors of nonprofit housing for the elderly.

But what we've tried to do, because of the quantity of money in the program, is to let 202 provide only construction financing with the long-term subsidy provided in our new rental-assistance program. I foresee Section 202 being fully implemented on this basis by the end of September.

Q How many units do you expect to finance?

A About 8,000. The amount in the program was about 215 million dollars, which works out to about 8,000 units. But instead of putting the money out for 40 years on mortgages and assisting 8,000 units, you can get a rollover of the same quantity of funds and do more for the elderly by financing construction where the money is paid back in 18 months to two years.

It was anticipated that the 202 construction program would back up the rental-subsidy program, which would provide security for the permanent financing. But we are getting some resistance on that. There is considerable skepticism as to whether this new back-to-back program will work.

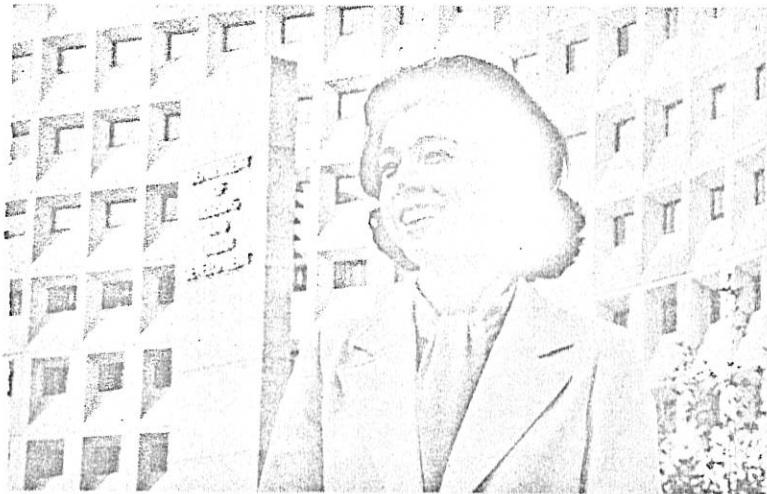
Q What has happened to all those old housing programs that we used to hear so much about?

A One program, the so-called 235 home-ownership program for lower-income persons, provided a subsidy for home-ownership where we would pay all of the debt service except for 1 per cent interest on a mortgage. We are still paying on those mortgages, though we are not extending the program to any new units.

Q Why not?

A It created such frustrations. The costs of being a homeowner are high. So, even with a heavily subsidized mortgage, many low-income people found that they could not afford to maintain a house. If the heating system went out or the

Carla A. Hills is the third woman ever to become head of a Cabinet department. She took office on March 10 as Secretary of Housing and Urban Development. Earlier, she was a lawyer in Los Angeles, then headed the Justice Department's Civil Division. Her husband, Roderick, is a White House counsel.



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plumbing backed up, they did not have enough money to call a repairman. In some cases, they abandoned the homes or vandalized them in sheer frustration.

I think that experience is what caused the Congress and the Administration to gravitate toward providing subsidy on a rental basis for the low-income person. Another old program was the 236 mortgage-subsidy program whereby the Government would subsidize the interest on a multifamily mortgage down to 1 per cent, and the tenant in that project would pay rent that constituted his share of the debt service at his very low interest rate plus his share of operating costs.

Now, when operating costs were low, low-income renters could be assisted. But when operating costs skyrocketed, those costs had to come out of the tenant's pocket because the federal subsidy covered only the debt service. Thus, the program required the tenant beneficiary to have an adequate income to pay the debt service at the 1 per cent interest and his share of rapidly escalating operating costs.

We've got a large inventory of 236s we've taken back because the people couldn't handle those costs. Also, we found an inequity in that we were benefiting families who had perhaps \$5,000-to-\$7,000 income, but we could not serve the person who had very little or no income.

Q Didn't public housing fill the need of the very poor?

A To a certain extent. But, at best, public housing is only available to some in some geographic areas. Then there was this additional drawback:

Public housing often tends to compound problems of the very-lowest-income people by aggregating those problems in one confined location: crime, unemployment and the like. Where you have these high-rise dwellings with a high concentration of low-income families, you can create a new ghetto. I think that experiences such as those with the Pruitt-Igoe public-housing complex in St. Louis made us think that there had to be a better way to do it.

Q What happened to Pruitt-Igoe?

A The entire project is being demolished. The problems there were just too immense.

Q Is there a housing deficiency today—a lack of enough dwellings to house all our people?

A There may be enough existing housing to handle our needs at the moment, but many think that we are not building fast enough to meet future needs.

Q Why are we not building fast enough?

A I think that the downturn in the housing industry right now is one of mixed causes: a lack of consumer confidence, a fear of unemployment, high interest rates and rapidly rising costs of building.

Q Why have new houses become so expensive?

A Primarily because of the inflationary pushes that we've suffered with for the past couple of years.

One cost increase is land, which has increased 62 per cent since 1971. Labor cost is an element, but it has not inflated as much as land, rising only 39 per cent since 1971. The other increases in costs since 1971 were financing, up 148 per cent; materials, up 36 per cent; overhead, up 54 per cent, and marketing, up 73 per cent.

Q Hasn't existing housing gone up in price almost as fast as new housing?

A Existing housing has gone up in price, but there is still a considerable difference between prices of new and existing housing. And rental costs, surprisingly enough, have gone up very little.

Q Why haven't rising costs of housing been reflected in equally higher rents?

A Economists aren't really sure why. But when you are using existing stock you do not have the same costs as when you're building new stock. And rentals lately have covered much more existing than new housing because people have been reluctant to build multifamily dwellings.

Q Why this reluctance?

A Besides the high cost of mortgages, there are local rent controls, moratoriums on new sewer connections in some localities, a lack of confidence among lenders, fear of what happened to real-estate investment trusts—a whole host of factors. New starts are down far more drastically in multifamily rental buildings than in the single-family sector.

Q Have rental vacancies decreased as a result?

A No. Interestingly, they have not. Vacancy rates, on a national level, are above 6 per cent. This is a higher figure than in 1972, when vacancies ran about 5½ per cent.

Unfortunately, our data is scanty. It really needs to be refined down to what sort of housing market you are discussing. Are the vacancies for lower or moderate-income people; or in vacation-type dwellings, either condominiums or rental-type, in such beach areas as Florida and California; or in housing that was developed out of the mass-production philosophy of 1972?

For the first time, HUD is sponsoring, along with the Census Bureau, an annual housing survey which will help answer some of these questions which I regard as very important.

Q You say we are not building enough new housing. How much is being built—and how much should be built?

A Last year, in 1974, we had fewer than 1.4 million new-housing starts. That was down from something less than 2.4 million in 1972. We are estimating no more than 1.3 million in 1975. What I would like to see, for a healthy housing industry, is a range of from 1.8 to 2.2 million starts a year. That would be a healthy average, over a long term. We should try to limit the big swings, up and down, in both the housing industry and in the mortgage-credit market.

Q Is the home-building industry big and important enough in our economy that a depression in home building tends to be self-perpetuating?

A We've usually seen the home-building industry lead us out of depressions. It's been the bellwether. But I think we have a factor now that hasn't been present in past depressions. That factor is a tremendous lack of consumer and lender confidence. I think that factor, as much as any, is causing the lag in home building. I don't think you're going to find the home-building industry getting out in front this time. And it happens to be the industry which reacts most unfavorably to inflationary pressures.

Q What can the Federal Government do that would have the greatest effect in bringing down the cost of housing?

A Getting the economy under control would have a most significant impact.

(END)

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Sec. 8-265b. Tax Exempt Status Of Authority. Payment
in Lieu of Taxes.

The real and personal property of the authority, and its income and operations, shall be exempt from taxation by the state and any political subdivision thereof, except that the authority shall make payments in lieu of taxes on real and personal property it acquires in any project in an amount equal to the taxes that would be paid on such property were the same not exempt from taxation hereunder, unless agreement is reached with a municipality for payment of a lesser amount. The authority shall have the same right of appeal from any assessment made on real and personal property as any person. In the event the authority acquires real or personal property in a project the authority shall succeed to the interests of its predecessor in title in any agreement concerning the abatement of taxes on the property. (1972, P.A. 208, S. 10.) Effective May 18, 1972.