

Approved 4-23-86
Date

MINUTES OF THE House COMMITTEE ON Ways and Means

The meeting was called to order by Bill Bunten at
Chairperson

8:00 a.m. ~~xxxx~~ on Wednesday, April 9, 1986 in room 514-S of the Capitol.

All members were present except:

Committee staff present: Jim Wilson, Revisor's Office
Gloria Timmer, Research
Laura Howard, Research
Sharon Schwartz, Administrative Aide
Nadine Young, Committee Secretary

Conferees appearing before the committee:

Jim Maag, KBA
Jean Sagan, Board of Regents
Bill Hollenbeck, Pittsburg State University
Representative Aylward
Dick Hayter, Kansas State University
Others present (Attachment A)

Chairman Bunten called the meeting to order at 8:05 a.m.

SB 455 -- an act relating to banks and banking; concerning the holding of real estate; loan limits; common trust funds.

Jim Maag, KBA, explained the provisions of the bill - it extends from 5 to 10 years the amount of time a bank can hold real estate. The benefit derived would be not having real estate dumped on the depressed market. (Attachment B)

On the bill, Representative Ott moved that SB 455 be reported favorable for passage. Representative Dyck seconded. Motion carried.

HB 3034 -- an act concerning research, innovation and development at educational institutions under the supervision and control of the state board of regents; relating to the establishment and support of centers of excellence and centers for industrial innovation and technology transfer at such institutions.

Bill Hollenbeck, Pittsburg State University, addressed the committee in support of HB 3034. He said one of the primary areas would be in wood technology. There would be no new money this year - it is to be funded out of economic development next year. (Attachment C)

Representative Aylward, Chairman of CCT, spoke to the committee on this issue. A summer study was done which revealed one of the major problems is in recruiting new people.

On the bill, Representative Chronister moved that HB 3034 be reported favorable for passage. Seconded by Representative Hamm. Motion carried.

SB 656 -- an act concerning sponsored research at educational institutions under the control and supervision of the state board of regents; providing for certain funds and accounts; prescribing certain guidelines and procedures therefor; providing certain exemptions.

Jean Sagan appeared for Board of Regents. SB 656 would eliminate the need for proviso language year after year in the appropriations bill.

SB 659 -- an act concerning the University of Kansas; providing for annual transfers of moneys to the press publications account of the restricted fees fund thereof from certain accounts of other state educational institutions;

CONTINUATION SHEET

MINUTES OF THE House, COMMITTEE ON Ways and Means,
room 514-S, Statehouse, at 8:00 a.m./~~p.m.~~ on Wednesday, April 9, 1986

SB 659 (continued)

Jean Sagan also explained the intent of this bill - it was requested by Board of Regents and would authorize transfer of funds from the University of Kansas restricted fees fund by statute, rather than proviso in the annual appropriation act.

SB 660 -- concerning Kansas Technical Institute; relating to sales of renovated aircraft; providing exemption from bid procedures under certain circumstances; purchase of certain insurance.

This bill would place in statute the annual proviso in the appropriation bill for KTI, to allow them to sell renovated aircraft on a negotiated basis.

Chairman elected to take a motion that would encompass all three bills, since they are all related. Representative Solbach moved that Senate Bills 656, 659 and 660 be reported favorable for passage. Seconded by Representative Ott. Motion carried.

SB 737 -- an act concerning the board of nursing; authorizing the board to fix, charge and collect fees for institutes, conferences and other educational programs offered by the Board.

Chairman reviewed the bill for the committee. SB 737 would allow the Board of Nursing to fix, charge, and collect fees for educational programs of the Board. Being no discussion, Representative Solbach moved that SB 737 be reported favorable for passage. Seconded by Representative Heinemann. Motion carried.

HB 3019 -- an act establishing the Kansas technology transfer institute at Kansas state university; prescribing the functions and objectives thereof; providing for the operations thereof; prescribing powers, duties and functions for the state board of regents in relation thereto.

Dick Hayter, an engineer from Kansas State University, reviewed for the committee the provisions of the bill, of which was previously heard in this committee. Representative Chronister explained that centers of excellence bill is in connection with job development, and that this bill represents an effort for all the universities to work together in the expansion of new technology. HB 3019 was requested through KDED. The State Board of Regents has no position on HB 3019.

After brief discussion, Representative Chronister moved that HB 3019 be reported favorable for passage. Seconded by Representative Hamm. On a show of hands vote, the motion carried.

HB 3125 -- Licensure and inspection of retail food stores by secretary of health and environment, fees.

Representative Duncan reviewed for the committee the provisions of the bill and moved that it be reported favorable for passage. Representative Heinemann seconded. Motion failed.

HB 3118 -- Solid waste permits, schedule of fees to be adopted by rules and regulations.

Representative Duncan briefed the committee on this bill which would raise the fee for a solid waste processing facility from \$50 to the actual cost of inspection - not to exceed \$2500 - on a sliding scale. He then offered an amendment to exempt local units of government. There would be a positive fiscal impact to general fund of \$127,000. Kansas Department of H&E supports the bill. On a motion to report the bill favorable, as amended, Representative Ott seconded. Motion carried.

Sub for SB 347 Representative King reported that his subcommittee still cannot come to terms on this bill. Research is still being done.

Sub for HB 2582 - concerning all-sports hall of fame; establishing a board of trustees.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Ways and Means,
room 514-S, Statehouse, at _____ a.m./p.m. on Wednesday, April 9, 1986

Sub for HB 2582 (cont'd)

Representative Solbach offered a motion to amend to allow Minority Leader in each Chamber to appoint one person each, House Speaker to appoint one, Senate President to appoint one, and Governor to appoint three. Seconded by Representative Luzzati. Motion carried.

Representative Wisdom moved that Sub for HB 2582 be reported favorable for passage. Seconded by Representative Rolfs. Motion carried.

Meeting reconvened at 11:30 a.m.

SB 573 -- Income taxation; conformity of certain state and federal itemized deductions and estimated tax penalties.

This bill was run on the floor and an amendment was added by Representative Wagnon. The amendment was based on figures provided by Department of Revenue. The amended bill was then referred to Ways and Means. Chairman entertained a motion to amend the bill by removing the amendment. Representative Hamm moved and Representative Shriver seconded. Motion carried.

On the bill, Representative Mainey moved that SB 573 be reported favorable for passage. Seconded by Representative Wisdom. Motion carried.

Meeting adjourned at 12:05 p.m.

Date 4-9-86

Name

Address

Representing

James W Bibb

Topeka

KU

B J. Sobel

Topeka

KOHS

J. Spurgeon

Lawrence

Bud Div - 801

Pat Schoten

Topeka

Budget Division

Jean Sagan

Lawrence

Bd. of Resents

Bill H. Kunder

Pittsburg

Pitt St Univ

PICK HAYTER

MANHATTAN

KSU

Barbara Juel

Topeka

Sports Club

Janette Pucci

Topeka

Bd of Nursing

Terri Rosselot

Topeka

Kansas State Nurses

Susan Miringoff

Topeka

KSNA Assoc.



The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

April 9, 1986

TO: House Committee on Ways and Means
RE: SB 455 - The Holding of Real Estate

Mr. Chairman and members of the Committee:

We appreciate the opportunity to appear before the committee and discuss the provisions of SB 455. This bill amends the state banking code and would allow banks to hold real estate acquired in the satisfaction of debt, purchased in satisfaction of debt, or purchased at judicial sale for a period of 10 years rather than 5 years as is allowed under current law.

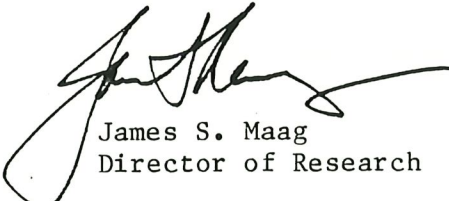
As the attached article from the Wichita Eagle-Beacon shows, one of the real crises in agriculture today is the continuing decline in the value of agricultural land. This one sentence from the article puts the problem in very sharp focus: "Never in Kansas history have farmland values fallen as steeply in back-to-back years (1984-85) - not even during the worst years of the Dust Bowl and Great Depression." The economists responsible for compiling the statistics used in the article point out that one of the major reasons for the decline is the "glut of farmland on the market." This is why the KBA is requesting the passage of SB 455 which would have the impact of keeping additional agricultural land from being dumped on already depressed farmland market.

If the banks are forced to place any significant percentage of this real estate on the market because the 5-year limitation on the holding of real estate has expired and since a large percentage of that real estate is agricultural land, it will obviously have the effect of creating an additional "glut" on the ag land market, thus driving prices down further. We believe an extension of that 5-year limitation to 10 years may well give banks the opportunity to hold that real estate until some stability has returned to the ag land market.

There are also many banks who have worked out arrangements with debtors to lease back the land and continue to farm it. In several instances, those arrangements are now jeopardized by the 5-year limitation.

We truly believe this change in the law will be of benefit not only to 400-plus Kansas banks involved in agricultural lending, but also to the farmers and ranchers of Kansas since it will give the banks more flexibility to work with their ag customers and will also keep additional amounts of farm land from being unnecessarily dumped on an already depressed market.

Thank you for your consideration of SB 455 and we strongly urge the committee to recommend the bill favorably for passage.


James S. Maag
Director of Research

Office of Executive Vice President • 707 Merchants National Building
Eighth and Jackson • Topeka, Kansas 66612 • (913) 232-3444

Atch. B
J. Maag 4/9/86

B

Land Values Nearly Half Of '81 Prices

By Tom Webb
Staff Writer

The value of Kansas agricultural land deteriorated so severely in 1985 that a typical ranch is now worth half of its 1981 price, according to a survey released Tuesday by the Federal Reserve Bank of Kansas City.

Kansas farmland fell 19 percent in value last year, and that's atop a 20 percent drop in 1984, the survey said. Never in Kansas history have farmland values fallen as steeply in back-to-back years — not even during the worst years of the Dust Bowl and Great Depression.

"The effect that it has on farmers, it also has on banks," said Kim Norris, a researcher at the Kansas City Fed. "Obviously when farmland values fall, the value of farmers' collateral falls."

And, Norris said, that means bankers sometimes have to call in loans.

With about 24 million acres of farmland, 17 million acres of ranch land and 3½ million acres of irrigated land in Kansas, paper losses since 1981 are approaching \$13 billion.

Economists cite high interest rates, depressed crop prices, the easing of inflation and a glut of farmland on the market as major reasons farmland values have declined 44 percent since peaking in 1981. Ranch land has dropped 50 percent in value, with non-irrigated land down 39 percent, the survey said.

The findings are based on a quarterly survey of Kansas bankers. The figures are statewide averages for an acre of good farmland, so prices vary from region to region.

"The continuing decline in land values represents a continuing decline in the net worth of the land owner and a decline in the collateral value of that property," said Don Caviness, a spokesman for Wichita Farm Credit System, which holds more farmland loans than any other lender.

In the last three months of 1985, non-irrigated farmland fell another 4 percent in value, irrigated land dropped 7.5 percent and ranch land declined an average of 6 percent, the survey showed.

Figures also said that land prices nearly collapsed last fall in Oklahoma. In just three months, Oklahoma farmland values declined by 14 percent — signaling that falling oil prices also are pressuring farmland values.

"You'll recall a few years ago when energy prices were increasing, and there were some phenomenal leases paid by energy companies for exploration rights,"

● FARMLAND, 5D, Col. 1

Falling Prices Affect Farmers, Banks

● FARMLAND, From 1D

Caviness said. "That situation has totally reversed itself, and I would think that would be a major contribution to the drop in land values of those areas."

The decline is most worrisome for farmers who are selling land, and for farmers who borrow large amounts of money using their land as collateral, analysts say. Bankers are responding by demanding more collateral for loans.

"It's a contributing factor to the numerous ag bank failures that we see," said Norris.

The story is much the same throughout the Midwest. Nebraska farmland has declined in value by 51 percent since 1981. Oklahoma farmland is down 46 percent. Missouri land has dropped 46 percent.

In Kansas, good-quality farmland now sells for an average of \$428 an acre, with irrigated land bringing an average of \$667 and ranch land an average of \$196 an acre, the survey said.

Although the trend continues down, economists at the Kansas City Federal Reserve expect land prices to stabilize by the end of 1986.

Kansas Farmland Values



The value of farmland in Kansas continued its downward spiral in 1985, with all three types of land declining.

The per-acre values listed below reflect average prices for non-irrigated, irrigated and ranch land.

	NON-IRRIG.	IRRIG.	RANCH
1980	\$737	\$1,020	\$377
1981	742	1,059	393
1982	677	998	336
1983	658	957	321
1984	531	831	267
1985	428	667	196

SOURCE: Federal Reserve Bank of Kansas City survey of Kansas bankers

Allison Kuhn/Staff Artist

The Farm Credit System also sees a bottom to the free-fall.

"In some areas, prices have

stabilized and have begun to move up slightly," Caviness said. "We think that's very encouraging."

National Banking Laws

Authority to hold real estate

12 USC 29—A national banking association may purchase, hold, and convey real estate for the following purposes, and for no others:

First. Such as shall be necessary for its accommodation in the transaction of its business.

Second. Such as shall be mortgaged to it in good faith by way of security for debts previously contracted.

Third. Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings.

Fourth. Such as it shall purchase at sales under judgments, decrees, or mortgages held by the association, or shall purchase to secure debts due to it.

But no such association shall hold the possession of any real estate under mortgage, or the title and possession of any real estate purchased to secure any debts due to it, for a longer period than five years, except as otherwise provided in this section.

For real estate in the possession of a national banking association upon application by the association, the Comptroller of the Currency may approve the possession of any such real estate by such association for a period longer than five years, but not to exceed an additional five years, if (1) the association has made a good faith attempt to dispose of the real estate within the five-year period, or (2) disposal within the five-year period would be detrimental to the association. Upon notification by the association to the Comptroller of the Currency that such conditions exist that require the expenditure of funds for the development and improvement of such real estate, and subject to such conditions and limitations as the Comptroller of the Currency shall prescribe, the association may expend such funds as are needed to enable such association to recover its total investment.

Notwithstanding the five-year holding limitation of this section or any other provision of this title, any national banking association which on the date of enactment of this paragraph held, directly or indirectly, real estate, including any subsurface rights or interests therein, that since December 31, 1979, had not been valued on the books of such association for more than a nominal amount, may continue to hold such real estate, rights, or interests for such longer period of time as would be permitted a State chartered bank by the law of the State in which the association is located if the aggregate amount of earnings from such real estate, rights, or interests is separately disclosed in the annual financial statements of the association.

Change of name or location

12 USC 30—(a) Any national banking association, upon written notice to the Comptroller of the Currency, may change its name, except that such new name shall include the word "National".

(b) Any national banking association, upon written notice to the Comptroller of the Currency, may change the location of its main office to any authorized branch loca-

tion within the limits of the city, town, or village in which it is situated, or, with a vote of shareholders owning two-thirds of the stock of such association for relocation outside such limits and upon receipt of a certificate of approval from the Comptroller of the Currency, to any other location within or outside the limits of the city, town, or village in which it is located, but not more than thirty miles beyond such limits.

Effect of change of name

12 USC 31—All debts, liabilities, rights, provisions, and powers of the association under its old name shall devolve upon and inure to the association under its new name.

Effect of change of name or location

12 USC 32—Nothing contained in sections 30 and 31 of this title shall be so construed as in any manner to release any national banking association under its old name or at its old location from any liability, or affect any action or proceeding in law in which said association may be or become a party or interested.

Conversion of State banks into national banks

12 USC 35—Any bank incorporated by special law of any State or of the United States or organized under the general laws of any State or of the United States and having an unimpaired capital sufficient to entitle it to become a national banking association under the provisions of the existing laws may, by the vote of the shareholders owning not less than fifty-one per centum of the capital stock of such bank or banking association, with the approval of the Comptroller of the Currency be converted into a national banking association with a name that contains the word "national": *Provided, however,* That said conversion shall not be in contravention of the State law. In such case the articles of association and organization certificate may be executed by a majority of the directors of the bank or banking institution, and the certificate shall declare that the owners of fifty-one per centum of the capital stock have authorized the directors to make such certificate and to change or convert the bank or banking institution into a national association. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a national association. The shares of any such bank may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the association until others are elected or appointed in accordance with the provisions of the statutes of the United States. When the Comptroller has given to such bank or banking association a certificate that the provisions of this Act have

Hollenbeck,
4-9-86

PITTSBURG STATE UNIVERSITY
CENTER OF INDUSTRIAL INNOVATION AND TECHNOLOGY TRANSFER

Mission

The mission of the Center of Industrial Innovation and Technology Transfer is to provide for transfer of basic research technology to industry, to contribute significantly to industrial development in Kansas and to satisfy the stated mission of the Advanced Technology Commission. That mission states, in part, "to establish centers of excellence for specialty at various campuses." The long term program is to develop a Center which will have the potential to impact the Kansas economy. The Wood Technology program will be the Center's initial emphasis at Pittsburg State University.

Wood Technology

National and state recognition of the wood technology program has increased during the past two years. Pittsburg State University has been designated as a Center of Excellence by the Kansas State Legislature and the Kansas Advanced Technology Commission. Pittsburg State University has also been designated as the National Technical Education Center for the Architectural Woodworking Institute, an organization of over 750 companies manufacturing wood products.

Pittsburg State University will host twelve National Technical Education Center seminars per year. The benefit to Pittsburg State University will be as follows:

1. \$100,000 in state-of-the-art machinery and supplies used for NTEC and University students.
2. National publicity through AWI trade journals.
3. Source for Center of Excellence matching funds.
4. Student contact with industrial managers.
5. Additional equipment will be donated once Technical Education Building is remodeled.
6. Seminar profits will support Continuing Education and Wood Technology.

Other international and national wood organizations that are actively involved with Pittsburg State University are:

The International Woodworkers Fair - Atlanta, Georgia
The American Furniture Manufacturing Association - largest professional association of furniture manufacturers in the world.
The Wood Making Machinery Distributors Association - an international association
National Store Fixture Manufacturing Association
National Kitchen Cabinet Association

This international and national attention has resulted in industrial recognition of the wood technology program and its potential for attracting significant matching dollars, as well as industrial growth for Kansas.

Atch. C
J. Smith 4/9/86 C

Funding

The Legislature established a decreasing matching fund process for Centers of Excellence whereby industry will match state funding over a four-year period.

	<u>Industry</u>	<u>State</u>	<u>Total</u>
Year 1	\$195,000	\$130,000	\$325,000
Year 2	80,000	160,000	240,000
Year 3	84,000	168,000	252,000

Originally, the Center of Excellence funding was requested in the Kansas Department of Economic Development budget. The Center of Excellence funding requests are now included in each university's budget on an annual basis.

The Governor's 1987 budget proposal announced his recommendation for the initial year funding of \$130,000. The University has already initiated steps to raise the required matching funds through the following steps:

1. Establishment of a Center Advisory Board -- now in process of selection.
2. Identification of possible major funding sources -- now in progress with the first major presentation in late February, 1986.
3. Initiation of the School of Technology and Applied Science Excellence Endowment to include the matching in a total drive for \$1,000,000.