

Approved February 14, 1986
Date

MINUTES OF THE SENATE COMMITTEE ON JUDICIARY

The meeting was called to order by Senator Jeanne Hoferer at
Chairperson

10:00 a.m. ~~xxx~~ on February 3, 1986 in room 514-S of the Capitol.

~~All~~ members ~~were~~ present ~~except~~: Senators Hoferer, Burke, Feleciano, Gaines, Langworthy, Parrish.

Committee staff present:

Mike Heim, Legislative Research Department
Jerry Donaldson, Legislative Research Department
Mary Hack, Office of Revisor of Statutes

Conferees appearing before the committee:

Ivan W. Wyatt, Kansas Farmers Union
Tom Kelly, Kansas Bureau of Investigation
Mary Lou McPhail, Kansas Bureau of Investigation
Al Thimmesch, Kansas Sheriffs Association, Wichita Police Department

Senator Jeanne Hoferer called the meeting to order in the absence of the chairman, Senator Robert Frey.

Senate Bill 308 - Restricting limited partnerships' interests in agricultural land.

A copy of written testimony from Attorney General Robert T. Stephan is attached that provides background information on the bill (See Attachment I). Attorney General Stephan was unable to appear personally before the committee.

Ivan Wyatt, Kansas Farmers Union, testified his group is in support of the bill with some modifications. He stated with agriculture falling upon hard times brought on by low commodity prices and devaluation of assets, in the past few years, numerous questionable so-called financing or refinancing schemes have attempted entry into Kansas through this loophole in the law of no limits or restrictions on "limited partnership" purchase of agricultural land. He then explained their proposed amendments to the bill. A copy of his testimony is attached (See Attachment II).

Senate Bill 439 - Adult Authority/Parole Board name change; technical amendments.

No one appeared to testify on the bill.

Senate Bill 313 - Reporting of crimes under state and local law.

Tom Kelly, Kansas Bureau of Investigation, testified this bill was requested by his office to provide for the collection of seven major crimes, including misdemeanor crimes. He stated they are trying to get a much better picture of crime in Kansas. He suggested in view of budgeting requirements for cities and counties that lead time be considered for implementation of the statute. A copy of his handout is attached (See Attachment III).

Mary Lou McPhail, KBI Uniform Crime Reporting Section, explained what data they collect from the current system. She said they

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON JUDICIARY,
room 514-S, Statehouse, at 10:00 a.m.~~pm~~ on February 3, 1986.

Senate Bill 313 continued

are trying to collect on an incidents basis all felonies and all state misdemeanors. She said all agencies are sending misdemeanors into them now. During committee discussion, a committee member requested a list be provided of all the crimes that will be covered in the department.

Al Thimmesch, Kansas Sheriffs Association and Wichita Police Department, testified he has a problem with the bill in regard to the cost of compliance, particularly with an agency of his size. They would be happy to provide the information, but they need to know what the fiscal impact would be and prepare for it. Mr. Thimmesch stated the problem the sheriffs association has is in section (c) of the bill that gives unnamed control over an unnamed agency. He has concern with unlimited power that is given.

The meeting adjourned.

Copy of guest list is attached (See Attachment IV).

GUEST LIST

COMMITTEE: SENATE JUDICIARY COMMITTEE

DATE: Feb. 3, 1986

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Al Thimmesh	455 N. Main	Kansas Sher. Assoc. Wichita Police Dept
Jim Clark	Topeka	KCSA
Jake Geiger	Robinson	agrarian
Euel Bentley	Whiting	Kansas Rural Center
Jay Davis	Lakin	Kearney County F. address
Rich McKee	Topeka	KLA
Chip Wheeler	Topeka	McGill & Associates
Kath Peterson	Topeka	Council of KS Farm Organ
MIKE BEAM	TOPEKA	KS. LUSTK. ASSN. COUNCIL OF KS FARM
FERRY STEVENS	TOPEKA.	TOPEKA POLICE DEPT.
Vivian Stegman	Marotta	D. B.
Ivan W. Wyatt	McPherson	Ks Farmers Union
John Blythe	Manhattan	Ks Farm Bureau
John Hanna	Topeka	Associated Press
Mary Lou McPhail	TOPEKA	KBT
Jim Green	Topeka	KBI
17 Tom Kelly	Topeka	KBI



STATE OF KANSAS

OFFICE OF THE ATTORNEY GENERAL

2ND FLOOR, KANSAS JUDICIAL CENTER, TOPEKA 66612

ROBERT T. STEPHAN
ATTORNEY GENERAL

MAIN PHONE: (913) 296-2215
CONSUMER PROTECTION: 296-3751

WRITTEN TESTIMONY OF ATTORNEY GENERAL
ROBERT T. STEPHAN
TO THE SENATE JUDICIAL COMMITTEE
FEBRUARY 3, 1986

Mr. Chairman and Members of the Committee:

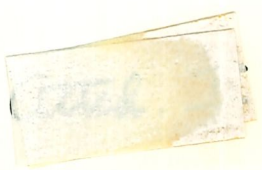
I regret that I am unable to appear before your committee personally, but I appreciate this opportunity to provide some background information on 1985 Senate Bill 308. This bill concerns amendments to K.S.A. 17-5903 and 17-5904, which are properly known as the corporate farming statutes. These statutes have the general effect of prohibiting corporate ownership of farmland. Due to the situation which has arisen, I believe the current statutes contain a loophole which should be eliminated if the law is not to be circumvented.

In particular, an entity known as Consolidated Family Farms came into the state in July of 1984 and announced it was interested in acquiring farmland in Kansas and other Midwestern states. In that CFF was a series of interlocking limited partnerships, the corporate farming law did not prevent such acquisition of farmland. However, in that a limited partnership is virtually identical to a corporation, the position of a

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farmer who tendered his land to CFF would be, for all practical purposes, the same as if he had sold it to a corporation. Fortunately, due to incomplete and inaccurate securities filings, CFF was prevented from getting established in Kansas. Soon afterwards, the scheme fell through, and while it has been subsequently revived, its sponsors have avoided entry into Kansas.

In order to avoid such situations in the future, I would suggest that the corporate farming statutes be amended to restrict the use of limited partnerships which acquire any interest in farmland. A limited partnership is composed of general partners and limited partners, with the general partners actually performing the daily operation of the partnership. The limited partners provide the capital in the form of money or property, but are restricted from having anything to do with the daily operations. In this sense, they are similar to stockholders of a corporation. For example, in the CFF scheme, the farmers would be the limited partners, as it is they who provide the capital for the partnership in the form of their land. However, in that they would be only limited partners, actual management decisions would be made by persons not connected with the land, in this case located in Chicago. The proposed amendments would allow a "limited agricultural partnership" which would be similar to the family farm corporations and family trusts which are now allowed, even



though corporations and trusts in general are prohibited. There would be a grandfather clause for those limited partnerships now operating, although I do not have any information as to how many, if any, of such partnerships there may now be.

These proposed changes are for the purpose of strengthening the law, and are not intended directly to provide infusion of additional capital into the Kansas agricultural system. However, by removing the uncertainty which now prevails concerning limited partnerships, it is conceivable that some investors may be induced to enter into limited agricultural partnerships with farmers who need additional capital. For example, a group of individual investors would be able to establish such a limited agricultural partnership with an individual who was actually residing on the land or engaged in the labor or management of the farming operation. In this sense, therefore, even this limited measure could be a beneficial effect in these distressed times for agriculture.

I appreciate the committee's willingness to consider these amendments, which will serve to strengthen the Kansas statutes which protect the family farm. If we can be of any further assistance to the committee in its deliberations, please let us know.

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SUMMARY OF ORAL STATEMENTS
BY IVAN W. WYATT, PRESIDENT, KANSAS FARMERS UNION

BEFORE
THE SENATE COMMITTEE ON THE JUDICIARY

ON
SENATE BILL NO. 308

ON
FEBRUARY 3, 1986

Mr. Chairman, Members of the Committee:

The need for Senate Bill 308 is the results of when the Kansas Corporation Farm Law was passed in 1981. Restrictions were placed on "Limited Corporate Partnership," but in what I believe was an oversight. No restrictions or limits were placed on limited partnerships acquiring agricultural land for farming.

With agriculture falling upon hard times brought on by low commodity prices and devaluation of assets, in the past few years, numerous questionable so-called financing or re-financing schemes have attempted entry into Kansas through this loophole in the law of no limits or restrictions on "limited partnership" purchase of agricultural land.

Many farmers have been bilked out of considerable amounts of money by similar questionable activities and without the vigilance of the Attorney General many more might have become victims using the limited partnership "loophole."

Therefore, we of the Kansas Farmers Union support Senate Bill 308 with some modifications.

1. On line "52" we see the definition of "limited corporate partnership" is struck. On line "170" where we see the prohibitions listed, the word "corporate" in "Limited corporate partnership" has been struck.

We question, are we inadvertently opening another loophole?

2. In sub-section (K) "authorized farm corporation" lines 114 through 129, at least 30% of the stockholders must be persons residing on the farm or actively engaged in the day-to-day labor or management of the farming operation.

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This section seems to have worked over the years and has caused no problems.

The new subsection (C) on "limited agricultural partnership" lines 56 through 72, only 10% of the partners must be a person residing on the farm or actively engaged in the labor or management of the farming operation.

We believe this requirement should be at least 30%, the same as authorized farm corporation.

Because of attempts in the past to use the limited partnerships for some questionable financial schemes, we believe the limitation of partners should be no more than 10 and perhaps should be less than 10.

Also, in the "authorized farm corporation," stockholders are limited to natural persons or non-profit corporations (lines 120 through 122).


In the "limited agricultural partnership" (lines 058 through 065) partners are limited to natural persons, non-profit organization, but also allows general partnerships. We see no reason for allowing "general partnerships" being allowed as partners in a "limited agricultural partnership," which could in fact provide a loophole in the law that would defect the purpose of this bill.

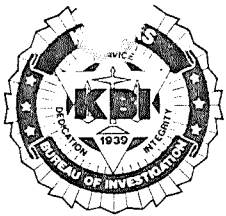
We would appreciate your consideration of these points.

If you have any questions, I would be happy to visit with you about them.

Thank you,

Ivan W. Wyatt





KANSAS BUREAU OF INVESTIGATION

DIVISION OF THE OFFICE OF ATTORNEY GENERAL

STATE OF KANSAS

1620 TYLER

TOPEKA, KANSAS 66612

(913) 232-6000

SENATE JUDICIARY COMMITTEE

SB 313 CRIME REPORTING

February 3, 1986

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ROBERT T. STEPHAN
ATTORNEY GENERAL

THOMAS E. KELLY
DIRECTOR

FUNCTIONAL IMPACT:

1. Comprehensive misdemeanor reporting
 - a) Necessary for more accurate crime count for state of Kansas
 - 1) Local agencies need for planning (budget, manpower, comparison with other agencies), crime prevention
 - 2) Legislative staff often requests data
 - 3) Reduce local agency reporting requirements (federal UCR)
 - b) Agencies want to be able to more accurately reflect departmental activity (UCR only covers 7 or 8 crimes)
 - c) Better focus on specific crime problems--target areas
 - d) Report forms are provided free of charge to all agencies
 - e) Under the Incident Based Reporting system (IBR) agencies are reporting these data now
2. Computer submission (lines 24 and 36)
 - a) Permissive, not mandatory
 - b) Would alleviate paper submission
 - c) Reduce paperwork at state and local level
3. 72 hour reporting requirement replaced by rules and regs
 - a) (proposed) Weekly submission for paper reports
 - b) (proposed) Computerized agencies (tapes/diskettes) biweekly
4. Local ordinances vs. state statutes
 - a) Program will collect violations of city ordinances and county resolutions only if also a violation of state law

FISCAL IMPACT:

Salaries and Wages (2 FTE)	
Clerk III	\$14312
Data Entry Operator II	13658
Other Operating Expenses	
Communications (postage, phone, etc)	1000
Capital Outlay	
Data Entry Terminal	1600
Office Equipment (Desks, chairs, etc)	1200
	=====
TOTAL:	\$31770

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Attachment III