

Approved \_\_\_\_\_

3/17/87  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Phil Kline at  
Chairperson

3:30pm a.m./p.m. on Wednesday, March 4, 1987 in room 423-S of the Capitol.

All members were present except: Rep. Dyck (Excused)

Committee staff present:  
Jim Wilson, Revisor  
Lynn Holt, Research  
Molly Mulloy, Secretary

Conferees appearing before the committee:

Rep. Bob Vancrum  
Jack Paradise, president, Jayhawk Plastics, Olathe  
Don Alexander, Parkins Industries, Lenexa  
Ed Bruske, Kansas Chamber of Commerce and Industry  
Jim Yonally, director of Government Relations, National Federation of Independent Businesses  
Frank McBride, Kansas Grain and Feed Dealers Assn  
Bill Graves, Secretary of State  
Joe Lieber, Executive Vice President, Kansas Cooperative Council  
Mark Beshears, Kansas Press Association  
Ron Gauches, Boeing Airplane Company  
Michael Brittain, National Association of Credit Management  
Jack Crocker, Steel and Pipe Supply, Manhattan  
Jim Unruh, C. B. Self and Company, Overland Park  
Jack Hull, Dun and Bradstreet, Wichita  
Tom Scearcy, Kansas State University

Chairman Kline called the meeting to order and announced that conferees on H.B. 2389 would be limited to a total of 20 minutes each side because of the large number of bills to be considered by the committee.

Rep. Bob Vancrum was the first proponent on H.B. 2389, and said the bill will bring Kansas into compliance with 47 other states that now treat as confidential the financial statements filed with the annual report or franchise tax filing of the organization (Attachment 1).

Jack Paradise, president of Jayhawk Plastics, also spoke in support of the bill. He stated that to make financial statements public to one's competitors would put small and medium businesses in a disadvantageous position. He said if competitors know your strengths and weaknesses, it can put you out of business.

Ed Bruske, Kansas Chamber of Commerce and Industry, testified in favor of the bill. He said the number of complaints from companies about having to list their assets and liabilities has increased in the last year and have included threats to move across the state line to neighboring states who don't require this information. (Attachment 2)

The next conferee was Don Alexander of Parkins Industries, who supported the bill by stating that there is no reason your customers need a financial statement, and that the only people interested in this information were one's competitors.

Jim Yonally, representing the NFIB, said his group represents 8000 small businesses in Kansas. He said 73% of their members support removal of public disclosures, which they believe give an advantage to out-of-state companies competing with Kansas businesses (See Attachment 3).

Frank McBride, chairman of the legislative committee for the Kansas Grain and Feed Dealers, spoke in opposition to H.B. 2389. He said this information is a financial tool used by both customers and competitors (Attachment 4).

Secretary of State Bill Graves testified against the bill (Attachment 5) because he feels the state's tradition of open records should be preserved.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,  
room 423S, Statehouse, at 3:30 a.m./p.m. on Wednesday, March 4th, 1987.

Joe Lieber, Executive Vice President of the Kansas Cooperative Council said he opposes H.B.2389 because the bill would impair businesses from securing the information necessary to make sound business decisions. In addition, Mr. Lieber said he strongly opposes a law that promotes secrecy. (Attachment 6)

Mark Beshears, representing the Kansas Press Associaton, said he echos the sentiments of Bill Graves. He does not believe that the records should be closed.

Ron Gauches, Boeing Airplance Company, testified against the bill. Saying that Boeing is a heavy user of credit reporting services, he explained that the federal government mandates a financial review of all the subcontractors used by Boeing and, at the same time, encourages Boeing to use small and minority subcontractors. Mr. Gauches said the only way to get disclosure information from such small companies is via the current law.

Mike Brittain, executive vice president, National Association of Credit Management, opposes the bill on the grounds that it will impede the flow of reliable information currently used to verify ownership as well as assets and liabilities of corporations. He distributed copies of his testimony and letters supporting his statement and asked that they be made part of the permanent record (Attachment 7).

Jack Crocker, Steel and Pipe Supply, Manhattan, opposes the bill because he feels good credit decisions lead to good business decisions, and small firms depend on access to such information from the secretary of state's office.

Jim Unruh, C.B. Self and Company, Overland Park, a commercial real estate development firm, opposes the bill. He said his company uses financial statements as a tool to determine how good a business tenant till be in their buildings.

Jack Hull, Dun and Bradstreet, was the last opponent to testify on H.B. 2389. He believes that open records benefit the majorith of businesses in Kansas. He further stated that he does not believe that disclosure of balance sheet information gives a competitor an unfair advantage in the marketplace. He distributed copies of his testimony and asked that supporting letters he had received on this issue be part of the permanent record (see Attachment 8).

The hearing ended on H.B. 2389. Chairman Kline opened the hearing on H.B. 2538 and introduced Tom Searcy, the only conferee and a proponent of the bill.

Mr. Searcy noted that Speaker Braden strongly supports this bill, as does the Secretary of Commerce. He distributed copies of two handouts which describe various Community Resource Act programs in Kansas (Attachments 9 and 10) and answered questions from the committee. Rep. Chronister moved, and Rep. Teagarden seconded, to pass the bill favorably. The motion carried.

H.B. 2078 Rep. Chronister proposed an amendment that would strike all of (1) in lines 27-28, strike section (b), and strike sections 2 and 3 (lines 0046-0055). Rep. Dyck seconded the motion and it carried. Rep. Chronister moved and Rep. Aylward seconded to pass H.B. 2078 favorably, as amended. Rep. Miller moved to amend it by striking the words "federal agencies" in line 30. Rep. Hoy seconded the motion. The motion failed. Rep. Chronister's motion to pass the bill, as amended, carried.

H.B. 2076 Rep. Chronister distributed copies of the bill which included amendments to remove the pork industry and special tax exemptions from the bill (Attachment 11). Rep. Foster moved, and Rep. Miller seconded, that H.B. 2076 be held for interim study. After some discussion, Rep. Chronister introduced a substitute motion to adopt the proposed amendments to the bill. Rep. Aylward seconded and the motion carried. Rep. Moomaw moved to amend in rabbits to H.B. 2076. Rep. Heinemann seconded the motion. After further discussion, Rep. Heinemann withdrew his second but said he had heard from a number of different people in the last few days who were interested in rabbit processing. Rep. Teagarden then seconded Rep. Moomaw's motion. The motion failed.

Rep. Chronister moved that H.B. 2076 be passed as amended. Rep. Moomaw seconded and it carried. Representatives Barkis, Foster and Baker wished to have their "no" votes recorded.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,  
room 423S, Statehouse, at 3:30 a.m./p.m. on Wednesday, March 4, 1987.

H.B. 2529 Rep. Aylward moved, and Rep. Hassler seconded, to pass the bill favorably.  
The motion carried.

H.B. 2436 Rep Kline moved, and Rep. Aylward seconded, tht the bill be reported  
adversely because of a question of constitutionality in the bill. Motion carried.

The meeting adjourned at 5:10pm. The next meeting is scheduled for March 5th, 3:30pm.

BOB VANCURUM  
 REPRESENTATIVE, TWENTY-NINTH DISTRICT  
 9004 W 104TH STREET  
 OVERLAND PARK, KANSAS 66212  
 (913) 341 2609  
 STATE CAPITOL ROOM 175-W  
 TOPEKA KANSAS 66612  
 (913) 296-7688



TOPEKA

HOUSE OF  
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
 MEMBER APPROPRIATIONS  
 TAXATION  
 JUDICIARY  
 JOINT COMMITTEE ON SPECIAL CLAIMS  
 AGAINST THE STATE

March 4, 1987

HB 2389  
 HOUSE ECONOMIC DEVELOPMENT  
 COMMITTEE

Mr. Chairman and Members of the Committee:

I am here today in support of HB 2389, a bill which would make confidential the statement of assets, liabilities and net worth filed by each corporation with the annual report in the office of the Secretary of State. This relatively simple measure would bring Kansas into compliance with 47 other states that now treat as confidential the financial statements filed with the annual report or franchise tax filing of the corporation. In fact, in most states this information is filed with the tax return or with the revenue department of the respective state and is treated as confidential as the tax return itself.

This is a simple economic development issue. By requiring either foreign or domestic corporations to disclose the net worth and financial statement filed with the annual report we are putting corporations doing business in Kansas at a substantial disadvantage as against those corporations having no operations in Kansas. Corporations having competitors whose employees and factories are outside of Kansas are at a substantial disadvantage in the competitive market place, since their competitors by digging through financial information filed with the Secretary of State can very easily determine their profitability and obtain the information necessary to determine when the Kansas competitor would have to quit business, and price competing products accordingly.

The credit rating companies such as Dunn & Bradstreet are vigorously opposed to this legislation. They will put before you the credit managers of many corporations to tell you that without this information they will be unable to determine the credit worthiness of their customers. They will also tell you that corporations that refuse to disclose this information are trying to hide something. The simple fact is that only three states and Puerto Rico now require the financial information and net worth to be disclosed. Why is it that Dunn & Bradstreet is able to operate in these other 47 states. And why is it that the credit managers that tell you all kinds of horrible things will happen if the

Attachment 1  
 3/4/87

Testimony--HB 2389  
Page Two  
March 4, 1987

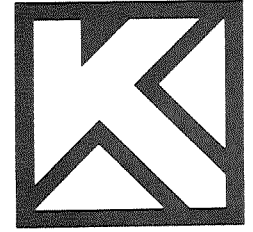
information is not disclosed manage to determine the credit worthiness of customers in the other 47 states. The simple fact is that you can obtain credit information on any customer by simply asking for financial statements if that is really the reason for the request.

The reason Dunn & Bradstreet is opposed to this bill is that it saves them a substantial amount of money in their business. There is no reason why the state of Kansas should continue to sacrifice the interests of the privately held corporations within its boundaries in order to subsidize financial gain by a small number of primarily out-of-state companies. If we are serious about attracting modern businesses to our state, our corporate laws simply have to be brought into compliance with those of our surrounding states. None of our surrounding states and no other state in the midwest discloses this information on its domestic corporations, and there is no good reason for us to do so.

I have with me today several gentlemen who face stiff competition from competitors in other states that do not have to disclose this information about themselves. I would ask that you listen very carefully to what they have to say. When the opponents start telling you why it is necessary to have this credit information, you might ask them how they do business in other states.

# LEGISLATIVE TESTIMONY

## Kansas Chamber of Commerce and Industry



500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the  
Kansas State Chamber  
of Commerce,  
Associated Industries  
of Kansas,  
Kansas Retail Council

HB 2389

March 4, 1987

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Committee on Economic Development

by

Ed Bruske

Mr. Chairman, members of the committee. My name is Ed Bruske and I am here on behalf of the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to offer a few very brief comments about HB 2389.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

I am here today to testify in favor of House Bill 2389. Every month for the past 10 years we have received 5-6 letters from Kansas businesses complaining about the

fact that they must list their assets and liabilities in filling out reports to the Secretary of State's Office.

When I was with KDED back in the mid-70's, our agency received approximately the same number of letters each month relative to this same matter. These complaints were coming primarily from privately owned business operations who indicated that their competitors were gaining an advantage by utilizing the public information.

For the past year, these complaints have increased and they have included threats of moving across the state line since our neighboring states as well as 48 other states, do not require this information.

I think it's reasonable to assume that most public held companies would not be affected since they must list this information in their stock reports anyway. Consequently, it would be our suggestion that all companies be allowed the option of not allowing the disclosure of this information to the public.

②  
Yonally



TESTIMONY BEFORE THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT  
IN SUPPORT OF HB 2389

Mister Chairman and members of the committee, my name is Jim Yonally, Director of Governmental Relations for the Kansas Chapter of the National Federation of Independent Business. I am pleased to speak in support of HB 2389, on behalf of the nearly 8,000 small businesses in Kansas who are members of our organization. Our legislative program is determined by a vote of our membership. On this year's ballot, 73% of those members responding, supported removing the statement of assets, liabilities, and net worth (the balance sheet) from items required to be open to public inspection.

When a member returns their ballot, they sometimes make comments in a section in the back, and I would like to share just a few of the comments coming from Kansas small businesses regarding this issue.

Kansas is one of only 2 states that still have this requirement. We firmly believe that this information gives an advantage to out-of-state companies competing with Kansas businesses. We also know that some businesses considering locating in Kansas have chosen to not do so because of our antiquated requirement. This is about the only proposal considered this session that would truly advance economic development, and not cost the state any money. True, it would mean the Secretary of State's office would have to revise the corporate reporting form, but in discussing this proposal with Secretary Graves, he indicated that he intended to revise the form, anyway.

In considering any piece of legislation, one must weigh the positive effects of passing the measure, along with any possible negative effects. On the positive side, we believe it will curtail the advantage that out-of-state businesses now enjoy and will not be the hindrance it now is in encouraging new businesses to locate in Kansas. The possible negatives: Financial reporting companies, such as Dun and Bradstreet, will have to get their information the same way they do in all the other 48 states; companies that are considering doing business with Kansas firms, and want "balance sheet" information will only have to ask for it. Also, the Secretary of State's office would continue to collect this information and use it for any legitimate purpose for which their office has a need. You will note the provision, in line 25, allowing any law enforcement officer or agency of the state or political subdivision access to the records. If there is some indication that a corporation is fraudulent or operating in an illegal fashion, the Secretary's office could immediately bring this to the attention of the Attorney General for action. The information would also be available to others for legitimate purposes, through a court order.

Notice too, the provision starting in the middle of line 27 that allows any corporation to have their records open to disclosure if they wish.

We urge you to report HB 2389 favorable for passage.

I would be happy to try to answer any questions.

NFIB/KANSAS  
Legislative Office  
10039 Mastin Dr.  
Shawnee Mission, KS 66212  
913/888-2235

Attachment 3  
03/04/87



TESTIMONY OF  
FRANK J. McBRIDE  
BEFORE THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE  
PHIL KLINE, CHAIRMAN  
REGARDING HB 2389  
MARCH 4, 1987

Mr. Chairman and members of the Committee, I am Frank J. McBride, chairman of the legislative committee for the Kansas Grain and Feed Dealers Association (KGFDA). I have also been a member of the board of directors and am a past president of that association which represents approximately 1,100 grain and feed dealers throughout the state. I have been engaged in the grain business for 38 years, the past 33 as an executive officer of Evans Grain Company, Salina, Kansas.

I am speaking today in opposition to HB 2389 as a representative of both the KGFDA and Evans Grain Company.

Public records play an important part in the conducting of business in Kansas on a sound business basis, and we should not attempt to close that door for those who use this information in making crucial business decisions.

Just a few years ago the Kansas legislature was concerned about grain elevator insolvencies and how they were affecting the farmer/producer. I attended a number of hearings on various bills introduced to address those concerns, and throughout there seemed to be one common conclusion that outweighed the potential solutions of all of the bills being considered. That conclusion was that it is the producers' responsibility to know who they are dealing with. Yet we are here today considering a bill that would take away one of the producers' remaining tools to make sound business decisions. For those who now use the information that is available, this bill would force them to obtain information in some other manner, possibly through a financial information service firm at a much greater cost or it could result in their doing nothing in determining the financial stability of those they deal with, either of which would be a step backward.

I therefore urge each of you to vote against this bill.

I will be glad to respond to any questions you may have. Thank you.

Attachment 4  
03/04/87

Bill Graves  
Secretary of State



2nd Floor, State Capitol  
Topeka, KS 66612-1594  
(913) 296-2236

## STATE OF KANSAS

TESTIMONY OF  
SECRETARY OF STATE BILL GRAVES  
TO THE ECONOMIC DEVELOPMENT COMMITTEE  
ON HOUSE BILL 2389  
MARCH 4, 1987

Historically, the Secretary of State's Office has opposed attempts to deny the public access to financial information on corporate annual reports. Past legislative committees have reached a similar conclusion.

Proponents of this bill suggest that the balance sheet should be closed to the public; that it contains information potentially harmful to certain corporations and that this information can be used by a competitor to unfair advantage. Opponents contend that this information is of vital public interest; that it provides valuable protection to the consumer.

I am not so sure that either argument is definitive. I am not convinced that this information is vital to the consumer, nor do I think that it puts Kansas corporations at a disadvantage.

Attachment 5  
03/04/87

Page Two  
March 4, 1987  
Economic Development Committee  
House Bill 2389

Yet, I do oppose House Bill 2389. I believe that we should preserve the state's tradition of open records. In lieu of more convincing evidence of corporate harm, I believe that if we err, we should err on the side of openness. I believe that any possible benefit to the consumer, however remote, should prevail over the mere perception of harm to corporations.

Testimony on HB 2389  
House Committee on Economic Development  
March 4, 1987  
Prepared by Joe Lieber  
Kansas Cooperative Council

Mr. Chairman and members of the Committee: I'm Joe Lieber, Executive Vice President of the Kansas Cooperative Council. The Council has a membership of more than 200 local cooperatives.

The Council is opposed to HB 2389 for the following reasons:

- 1. HB 2389 would impair cooperatives and other forms of businesses from securing information necessary to make sound credit decisions.
  - a. They will make bad decisions on little or no information, therefore losing money.
  - b. They might refuse credit to a potentially sound account who then loses money.
- 2. In business, time is of the essence. Having potential accounts complete credit forms, checking references, etc., all takes time. A transaction could be lost.
- 3. It still hasn't been shown that how revealing a corporation's assets, liabilities and net worth gives the competition unfair advantages.
- 4. Why would the Kansas Legislature want to go on record in support of legislative secrecy? The Federal government is still reeling from the Iran-Contra affair, and the papers are full of stories about the Wall Street inside-trading scandals.

Attachment 6  
03/04/87

Pari-mutuel betting, the lottery and the open saloons have been approved by the voters but the legislature is being asked to take a step backwards and pass a law that would create more secrecy.

It is our belief that the citizens of Kansas would not support this backward step, and we ask for your opposition to 2389.



MICHAEL E. SMITH  
EXECUTIVE VICE-PRESIDENT

6  
**National Association of Credit Management**

KANSAS AFFILIATE

LEGISLATION

EDUCATION

FINANCE

P.O. Box 455, WICHITA, KANSAS 67201

TEL. (316) 263-1257

March 4, 1987

To: Members of the Economic Development Committee

Re: House Bill 2389

My name is Michael Brittain. I am Executive Vice President of the National Association of Credit Management, Kansas Affiliate, Inc. We are located in Wichita, Kansas.

Our organization represents 116 members in Kansas from the manufacturing, wholesale, financial and service industries.

NACM has been an integral part of the Kansas commercial credit granting sector of industry since 1906. Its function is to foster the dissemination of information useful in evaluating risk and granting commercial credit, which is the lifeblood of all of these industries.

As such, NACM and its members oppose HB 2389 on the grounds that it will impede the flow of valuable information currently used to verify ownership as well as assets and liabilities of corporations.

To close these open records at a time when there is national emphasis to be more open with information does not make any sense and will be harmful and costly to the industries which NACM represents.

We implore you to do everything in your power to defeat House Bill 2389.

Respectfully,

Michael Brittain  
Executive Vice President

MB/clm

Attachment 7  
03/04/87

**ED'S PAINTS, INC.**  
1455 S. Washington  
Wichita, Kansas 67211

March 3, 1987

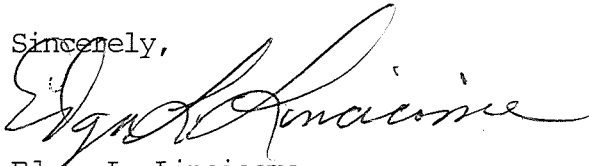
Phil Kline  
State Capital Building  
Topeka, Ks. 66612

Dear Representative Kline

I want to express my opposition to House Bill 2389. The passage of this piece of legislation would make it more difficult to make proper credit decisions.

Please do what you can to help defeat House Bill 2389 and keep public records open in Kansas.

Sincerely,



Edgar L. Lincicome  
Ed's Paints, Inc.  
President

RECEIVED

MAR 4 1987

N.A.C.M., INC.

March 3, 1987

Phil Kline  
Committee Chairman  
C/O Satehouse  
Topeka, Kansas

Dear Mr. Kline:

I want to express my opposition to House Bill #2389. The free flow of financial information is the life-blood of credit decisions. Any effort to impede that flow can only serve to make the obtaining of credit more difficult and more costly.

It also is curious to me that in an age of open meetings, Freedom of Information Act at the Federal level, and a general desire to be more open with information, that Kansas would even consider a bill to restrict information. Such an approach appears to be in conflict with the State's position on economic development.

I urge you to oppose such a bill and do everything in your power to defeat it.

Respectfully yours,



Robert E. Jensen  
Vice President

REJ/pen



UNION NATIONAL BANK

Union National Bank of Wichita P.O. Box 637 Wichita, KS 67201 316-261-4700



# Dun & Bradstreet Operations

**DB** a company of  
The Dun & Bradstreet Corporation

**WICHITA CENTENNIAL 1886 - 1986**

Jack L. Hull  
District Manager

345 Riverview, Suite 504, Wichita, KS 67203  
316-265-1677

**TESTIMONY OF JACK L. HULL  
DISTRICT MANAGER  
DUN & BRADSTREET, INC.  
BEFORE  
ECONOMIC AND DEVELOPMENT COMMITTEE  
OF THE HOUSE OF REPRESENTATIVES  
OF THE STATE OF KANSAS  
REGARDING  
HOUSE BILL 2389  
MARCH 4, 1987**

Attachment 8  
03/04/87

Mr. Chairman and members of the Economic Development Committee, my name is Jack Hull and I thank you for the opportunity to state my views in opposition to House Bill 2389. I am the District Manager of the Dun & Bradstreet office in Wichita. I am also a life long resident of the State of Kansas.

Dun & Bradstreet operates two facilities in Kansas. Our Wichita office was established in 1886. Our Overland Park office was established in 1872 in Kansas City, Missouri. Two years ago we moved to Overland Park, primarily because of the increased growth occurring in Johnson County.

It is my personal belief and the position of my company that it is in the best interest of the State of Kansas that the annual reports required to be filed by corporations, including the statement of assets, liabilities and net worth, remain open to the public.

For many decades, all corporations doing business in Kansas--whether incorporated in Kansas or in other states--have been required by statute to file annual reports with the Secretary of State. One element of these annual reports is a balance sheet--the statement of the corporation's assets, liabilities, and net worth. It has been the long standing policy of the State of Kansas that these annual reports are public records and, as such, are open to the public. This historic policy was reinforced by the Open Record Act of 1984. HB-2389 would, in our opinion, be a step backward. For the following reasons, we would urge you to support current law and oppose HB-2389.

First, current law promotes business and trade in Kansas. It enables vendors, lessors, banks, investors, insurers and others seeking to do business in Kansas, to obtain information that enables them to make more informed business decisions. This decreases the risk element in a variety of transactions and thus lowers the cost of doing business.

On a day to day basis, there are countless business transactions conducted. The availability of basic financial information is essential in making credit, marketing, purchasing and many other related decisions. No prudent businessman would be willing to ship goods, furnish services or extend credit without reasonable assurance of payment from those businesses with whom they intend to deal.

For instance, in our business, we know that many companies will ship merchandise on credit to companies having a Dun & Bradstreet capital and credit rating without conducting a further credit check. In the absence of a rating, such companies would usually call the credit applicant and require a financial statement, a bank reference and trade references. Even if these were supplied by the applicant, this would tend to delay the shipment of merchandise. Were the requested information declined, the extension of credit might not be forthcoming. We require financial statements in order to assign capital and credit ratings. Kansas and the other states which require the filing of financial statements are among those with the very highest percentage of rated businesses. If HB-2389 were enacted, the percentage of Kansas businesses having capital and credit ratings would decline, leading to increased costs and delays in doing business with Kansas enterprises.

Moreover, when we write or revise a report on a business, we send a copy of the report to that business. We receive very few complaints regarding the inclusion of financial statements from public records in our reports. We believe this is an indication Kansas businesses realize the value to them of this law. Businesses outside the State of Kansas indicate to us that this information on Kansas businesses enables them to better serve customers in Kansas by providing prompt shipment and preferred terms.

Current law does not seem to hinder new business formation in Kansas. There were 4,350 new corporations formed last year--a significant number of new corporate start-ups considering the general state of the economy. In addition, we understand that there are in excess of 66,000 corporations doing business in Kansas. This sizeable number suggests the absence of significant concern over the financial disclosure requirements.

Finally, there is no evidence in the extensive and thorough Redwood economic development study that this law is in any way a hinderance to Kansas economic development. Dr. Anthony Redwood last week told a colleague of mine that the current corporation's annual report disclosure was never raised as an issue during his extensive investigation for the legislature of economic development problems affecting the State of Kansas.

Second, the current law does not infringe upon personal privacy. Corporations are artificial persons and are creatures of state law. They enjoy limited liability--that is, as a general rule, a corporation's owners are not personally liable for the debts and losses of their corporation. The current Kansas law requiring limited public financial disclosure by corporations enables people to evaluate the financial soundness of those corporations with whom they wish to do business. This is good public policy.

Third, the current law does not require disclosure of information that would give a competitor an unfair advantage in the marketplace. Most authorities would agree that a corporation's balance sheets viewed individually or over time, would not by themselves provide critical operating data or disclose business or trade secrets that would give an unfair edge to a competitor. The Kansas statutory requirements for limited financial disclosure strikes an appropriate balance between protection of the public and the business confidentiality of the corporation, as well as provides basic information that lubricates the engine of commerce.

For these reasons, we respectfully request that you retain current law, support the long-standing Kansas policy of open records, and reject HB-2389.

**Metro-Plex**  
**Information Systems, Inc.**9258 Bond  
Overland Park, Kansas 66214

(913) 894-9600

*The Authority in Office Technology.*

FEBRUARY 26, 1987

REP. PHIL KLINE  
STATE OF KANSAS  
TOPEKA, KANSAS

DEAR SIR:

I WAS CERTAINLY SHOCKED TO HEAR THAT RECENT LEGISLATION HAS BEEN PROPOSED IN THE STATE OF KANSAS TO CLOSE PUBLIC RECORDS. I WOULD BE OPPOSED TO SUCH A DRASTIC MISTAKE WHICH HAS BEEN DEMONSTRATED IN OTHER STATES TO BE ECONOMIC SUICIDE. SURELY THOSE WHO PROPOSE SUCH ACTION MUST HAVE SOMETHING SUBSTANTIAL TO HIDE FROM THE KANSAS TAXPAYERS AND BUSINESSES WHO HAVE OPERATED IN THIS STATE FOR YEARS IN A BOTH AN ETHICAL AND OPEN MANNER.

IF THE OPPORTUNITY ARISES, PLEASE INCLUDE MY OPINION ALONG WITH THE HUNDREDS OF OTHER BUSINESS PEOPLE THROUHOUT THE STATE WHICH OPPOSE THIS PROPOSED ACTION.

SINCERELY,

RICHARD P. GOHEEN  
SALES MANAGER

METRO-PLEX INFORMATION SYSTEMS, INC

625 Adams Street  
Kansas City, Kansas 66105  
P.O. Box 5031  
Kansas City, Kansas 66119  
Tel. 913 621 6700  
TWX 910 743 6856

March 2, 1987

Mr. Phil Kline, Chairman  
Economic Development Committee  
Kansas House of Representatives  
Topeka, KS 66212

Dear Mr. Kline:

This letter is to state that we are in favor of Open Public Record and opposed to House Bill 2389.

Thank you very much for your consideration.

Regards,



Dale I. Ellis  
V.P. of Finance

DIE/mjm

# **C.B. SELF & COMPANY**

Corporate Offices  
6800 College Boulevard, Suite 650  
Overland Park, Kansas 66211  
913/491-1966

March 4, 1987

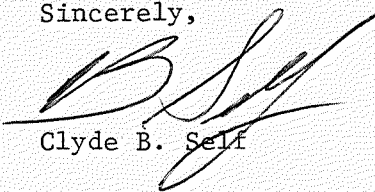
Mr. Chairman  
Economic Development Committee  
Topeka, Kansas

RE: Hearing To Close Access Of Public Records

Dear Mr. Chairman:

We are opposed to the closing of public records in the State of Kansas. These records have been a valuable source of information for us with regards to leasing office and retail space to potential tenants.

Sincerely,



Clyde B. Self

CBS/pkd





FRANK LYON COMPANY • EXCLUSIVELY WHOLESAL

March 3, 1987

Representative Phil Kline  
Chairman, Economic Development Committee  
House of Representatives  
Topeka, KS 66212

Dear Representative Kline:

This is to let you know that we are opposed to House Bill No. 2389,  
and are in favor of open financial records.

Sincerely,

  
E.L. Farley  
Credit Manager

/ms



## Thompson-Hayward Chemical Company

5200 Speaker Road Kansas City, Kansas 66106  
Reply To: P.O. Box 2383  
Kansas City, Kansas 66110 913/321-3131  
Telex TH CHEMCO KSCK 426211

A member of the Harrisons & Crosfield Group

March 3, 1987


Mr. Phil Kline, Chairman  
Economic Development Committee  
House of Representatives  
State of Kansas  
Topeka, Kansas 66612

Dear Sir:

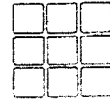
This is to advise that we are opposed to House Bill 2389 that would close the corporate records to the public. We desire that these records remain open.

Thank you for your consideration.

Yours truly,  
THOMPSON-HAYWARD CHEMICAL COMPANY

  
Clifford H. Haislip  
Credit Manager

CHH/jr



# NORTH SUPPLY COMPANY

600 INDUSTRIAL PARKWAY • INDUSTRIAL AIRPORT KANSAS 66201 • (913) 791-7000

February 27, 1987

Representative Phil Kline, Chairman  
Economic Development Committee  
State Capitol Building  
Topeka, KS 66612

Dear Mr. Kline:

This letter is to let you know that I am in favor of open financial records and am opposed to House Bill No. 2389.

Sincerely,

M. K. Dunham  
Credit Manager  
Business Systems Division

MD/nm



LEE COMPANY  
P.O. BOX 2940  
SHAWNEE MISSION, KS 66201

March 3, 1987

Representative Phil Kline  
Chairman, Economic Development  
Committee  
House of Representatives  
Topeka, Kansas 66212

Dear Representative Kline:

House Bill 2389 should not be approved.

The financial records of businesses in Kansas should be public knowledge.

Over thirty years of banking and credit experience has taught me to respect and appreciate the value of the honest disclosure of business conditions.

The present Kansas law is good and should not be changed.

The company I work for, The Lee Company, was incorporated in Kansas in 1894 as a successor to a business founded in 1889, and we are pleased that our financial condition is known to the public.

Thank You!

A handwritten signature in cursive script that reads "James E. Pickard".

James E. Pickard,  
Assistant Treasurer

mv  
HOME ADDRESS:  
10701 West 48th Street  
Shawnee, Kansas 66203



Adams P.O. Box 91 Topeka 913 233 4101  
Business Kansas  
Forms 66601

March 4, 1987

Phil Kline, Chairman  
Economic Development Committee  
State of Kansas  
Topeka, Kansas

Mr. Kline, I oppose House Bill NO. 2389.

Please do not close the records on Corporations  
in the State of Kansas.

*Linda K. Lanning*  
Linda K. Lanning  
Credit Supervisor



**MCI Telecommunications  
Corporation**

Southwest Division  
8595 College Blvd., Suite 200  
Overland Park, Kansas 66210-2617  
(913) 451-0010

**Attention: Mr. Phil Cline**

We understand that there is a House Bill #2389 now in the Kansas House of Representatives. I am asking your support in keeping these records open.

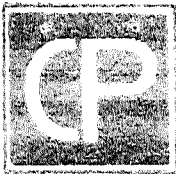
It is critical to our business to have access to potential customer's records. We currently have our Branch Office at 8595 College Boulevard, Suite 200, Overland Park, Kansas and an Operations office in Kansas City, Missouri. If we lose access to records, we will be forced into moving to downtown Kansas City.

Any consideration you could show this request would be greatly appreciated.

Sincerely,  
MCI TELECOMMUNICATIONS CORPORATION

  
Chuck Long  
Branch Manager  
Southwest Division

CL:mb



**CONTOUR  
PRODUCTS**

A DIVISION OF CONTOUR PACKAGING, INC.

4001 KAW DRIVE  
KANSAS CITY, KANSAS 66102  
(913) 321-4114

March 3, 1987

Mr. Phil Kline  
Chairman, Economic Development  
Committee  
Kansas House of Representatives  
Topeka, KS 66612

Dear Mr. Kline,

This is to let you know that we are in favor of open  
financial records and are opposed to House Bill 2389.

Sincerely,  
CONTOUR PRODUCTS

Richard L. Merr  
Treasurer

RMJ/sk



# NATIONAL ASSOCIATION OF CREDIT MANAGEMENT

3119 GILLHAM ROAD  
P.O. BOX 412497  
KANSAS CITY, MO. 64141-2497

KANSAS CITY DIVISION, INC.

GENERAL OFFICE 816-931-7115

COMMERCIAL CLAIMS 816-931-2504

March 3, 1987

The Honorable Phil Kline  
Chairman Economic Committee  
Topeka, Kansas

Re: H.B. 2389

Dear Mr. Kline:

I am the President of the National Association of Credit Management, K. C. Division, Inc. and the Kansas City Wholesale Credit Association of Credit Management. We count among our members, several hundred companies that find it helpful to have access to information from the corporate reports now available from the state of Kansas. To alter the current procedure could radically change the manner in which these companies do business and extend credit.

We would like to extend to you our support of the law as it now exists and to set forth in the record our opposition to proposed H.B. 2389.

Very truly,

H. Patrick Tolle  
President

*"Our Contacts Cover the Continent"*





4001 KAW DRIVE  
KANSAS CITY, KANSAS 66102  
(913) 321-4114

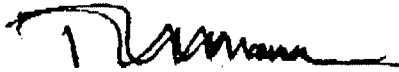
March 3, 1987

Mr. Clarence C. Love  
Member, Economic Development  
Committee  
Kansas House of Representatives  
Topeka, Ks 66612

Dear Mr. Love,

This is to let you know that we are in favor of open  
financial records and are opposed to House Bill 2389.

Sincerely,  
CONTOUR PRODUCTS



Richard L. Marr  
Treasurer

RLM/ss

625 Adams Street  
Kansas City, Kansas 66105  
P.O. Box 5031  
Kansas City, Kansas 66119  
Tel. 913 621 6700  
TWX 910 743 6856

March 2, 1987

Mr. Clarence Love  
Economic Development Committee  
Kansas House of Representatives  
Topeka, KS 66212

Dear Mr. Love:

This letter is to state that we are in favor of Open Public Record and opposed to House Bill 2389.

Thank you very much for your consideration.

Regards,



Dale I. Ellis  
V.P. of Finance

DIE/mjm

March 3, 1987

Phil Kline  
Committee Chairman  
C/O Satehouse  
Topeka, Kansas

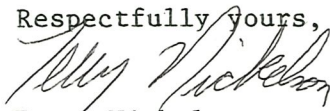
Dear Mr. Kline:

I want to express my opposition to House Bill #2389. The free flow of financial information is the life-blood of credit decisions. Any effort to impede that flow can only serve to make the obtaining of credit more difficult and more costly.

It also is curious to me that in an age of open meetings, Freedom of Information Act at the Federal level, and a general desire to be more open with information, that Kansas would even consider a bill to restrict information. Such an approach appears to be in conflict with the State's position on economic development.

I urge you to oppose such a bill and do everything in your power to defeat it.

Respectfully yours,



Terry Nickelson  
Vice President

TEN/pen



UNION NATIONAL BANK

Union National Bank of Wichita P.O. Box 637 Wichita, KS 67201 316-261-4700

March 3, 1987

Phil Kline  
Committee Chairman  
C/O Satehouse  
Topeka, Kansas

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I urge you to oppose such a bill and do everything in your power to defeat it.

Respectfully yours,

*Carolyn F. Weeks*

Carolyn F. Weeks  
Commercial Credit Supvr.

CFW/cjw



UNION NATIONAL BANK

Union National Bank of Wichita P.O. Box 637 Wichita, KS 67201 316-261-4700

March 3, 1987

Phil Kline  
Committee Chairman  
C/O Satehouse  
Topeka, Kansas

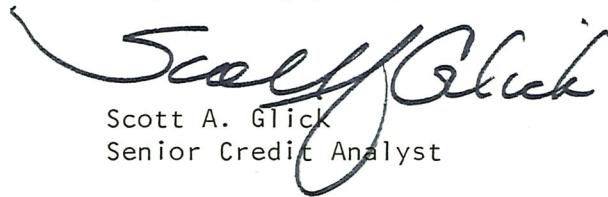
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I urge you to oppose such a bill and do everything in your power to defeat it.

Respectfully yours,



Scott A. Glick  
Senior Credit Analyst

SAG/cw



UNION NATIONAL BANK

Union National Bank of Wichita P.O. Box 637 Wichita, KS 67201 316-261-4700

March 3, 1987

Phil Kline  
Committee Chairman  
C/O Satehouse  
Topeka, Kansas

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I urge you to oppose such a bill and do everything in your power to defeat it.

Respectfully yours,



Administrative Assistant  
Commercial Loan



UNION NATIONAL BANK

Union National Bank of Wichita P.O. Box 637 Wichita, KS 67201 316-261-4700

March 3, 1987

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Committee Chairman  
C/O Satehouse  
Topeka, Kansas

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I urge you to oppose such a bill and do everything in your power to defeat it.

Respectfully yours,



James H. Mai  
Vice President

JHM/mw



UNION NATIONAL BANK

Union National Bank of Wichita P.O. Box 637 Wichita, KS 67201 316-261-4700

March 3, 1987

Phil Kline  
Committee Chairman  
C/O Satehouse  
Topeka, Kansas

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I urge you to oppose such a bill and do everything in your power to defeat it.

Respectfully yours,



David L. Urban  
Asst. Vice President



UNION NATIONAL BANK

Union National Bank of Wichita P.O. Box 637 Wichita, KS 67201 316-261-4700



March 3, 1987

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Committee Chairman  
C/O Satehouse  
Topeka, Kansas

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I urge you to oppose such a bill and do everything in your power to defeat it.

Respectfully yours,



Ken Harris  
Vice President

KH/cw



UNION NATIONAL BANK

Union National Bank of Wichita P.O. Box 637 Wichita, KS 67201 316-261-4700

March 3, 1987

Phil Kline  
Committee Chairman  
C/O Statehouse  
Topeka, Kansas

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I urge you to oppose such a bill and do everything in your power to defeat it.

Respectfully yours,

  
Glenn Byer  
Senior Vice President

GB/cn



UNION NATIONAL BANK

Union National Bank of Wichita P.O. Box 637 Wichita, KS 67201 316-261-4700

TELEPHONE

(316) 265-1201

*Printing Inc.*

**PRINTERS AND LITHOGRAPHERS**

344 NORTH ST. FRANCIS WICHITA, KANSAS 67202

March 2, 1987

Mr. Phil Kline  
c/o Statehouse  
Topeka KS 66612

re: House Bill # 2389

Dear Mr. Kline,

The purpose of this letter is to advise you of my opposition to the above-referenced house bill. As a small businessman, I am constantly referring to financial information available at the state level, and would be hard-pressed to replace this information. This bill would make business in Kansas more difficult and would surely be counterproductive to any economic expansion efforts.

I appreciate your efforts in this matter and trust you have the best interests of the state paramount in your mind.

Yours truly,



Tony Kuehler  
Secretary/Treasurer

cc: NACM; Mike Brittain



# Pepsi-Cola Bottling Co. of Wichita, Inc.

101 West 48th Street South • Post Office Box 977 • Wichita, Kansas 67201 • 316-522-3131

March 2, 1987

Representative Phil Kline  
State Capital Building  
Topeka, Ks. 66612

Dear Representative Kline:

Currently House Bill 2389 is pending in the Economic Development Committee of the Kansas House. I want to express my opposition to this bill.

The bill would close corporate financial information which is now a matter of open record. This information is valuable in helping to make credit decisions. I feel Kansas is fortunate to have this information available.

I urge you to do what you can to help defeat House Bill 2389 or any other legislation seeking to close these valuable open records.

Sincerely,

A handwritten signature in black ink, appearing to read "Jean Sorg", written in a cursive style.

Jean Sorg  
Credit Manager  
Pepsi Cola Bottling Co of Wichita, Inc.

# DERBY REFINING COMPANY

a subsidiary of The Coastal Corporation

P. O. BOX 1030 - WICHITA, KANSAS 67201 (316) 267-0361



March 3, 1987

Phil Kline  
c/o Statehouse  
Topeka, KS 66612

Dear Representative Kline:

We wish to express our concerns on House Bill 2389. For many years corporations annual reports have been required to be filed and has been considered as public records. The availability of such documents have assisted in determining the identity of both individuals serving as officers and directors as well as providing other general information concerning assets and liabilities of the corporation.

If such information was not available to the public, it may be more expensive and time consuming to enter into credit arrangement with corporations or to verify information furnished to us by corporations.

For the reasons above we solicit your support to defeat House Bill 2389.

Sincerely,

Leo C. Carman  
Credit Manager

LCC/k1

March 3, 1987

Phil Kline  
Committee Chairman  
C/O Satehouse  
Topeka, Kansas

Dear Mr. Kline:

I want to express my opposition to House Bill #2389. The free flow of financial information is the life-blood of credit decisions. Any effort to impede that flow can only serve to make the obtaining of credit more difficult and more costly.

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I urge you to oppose such a bill and do everything in your power to defeat it.

Respectfully yours,

*Carla M. Calvert*

Carla M. Calvert  
Commercial Loan Officer



UNION NATIONAL BANK

Union National Bank of Wichita P.O. Box 637 Wichita, KS 67201 316-261-4700

March 3, 1987

Phil Kline  
Committee Chairman  
C/O Satehouse  
Topeka, Kansas

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I urge you to oppose such a bill and do everything in your power to defeat it.

Respectfully yours,

*Willa Wulky*  
*Vice President*



UNION NATIONAL BANK

Union National Bank of Wichita P.O. Box 637 Wichita, KS 67201 316-261-4700

March 3, 1987

Phil Kline  
Committee Chairman  
C/O Satehouse  
Topeka, Kansas

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Respectfully yours,



Fritz R. Krohmer  
Senior Vice President

FRK/cfw

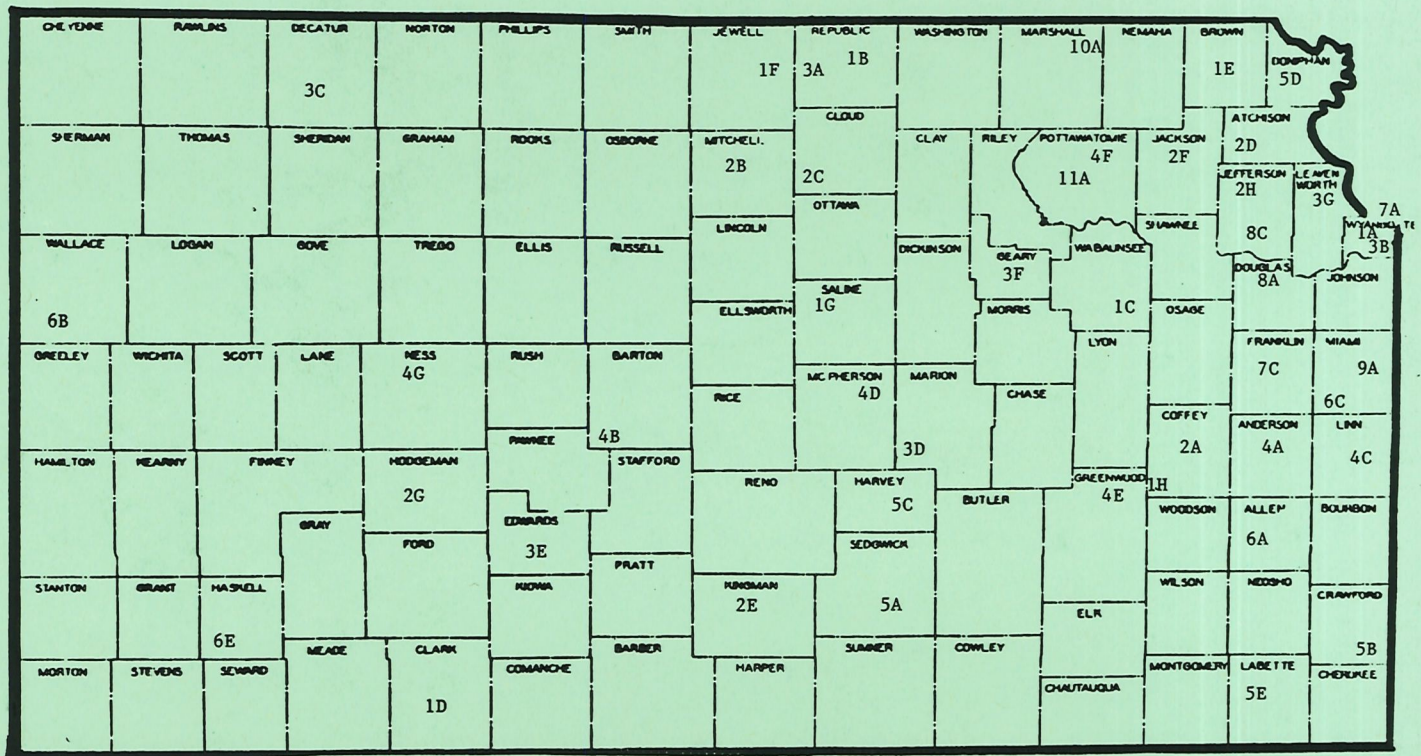


UNION NATIONAL BANK

Union National Bank of Wichita P.O. Box 637 Wichita, KS 67201 316-261-4700



# COMMUNITY RESOURCE ACT PROGRAMS - 1987



## PROGRAM H (1987)

1. Gridley - G.R.O.W. Program
2. Nortonville - N-I-C-E Program

## PROGRAM G (1986)

1. Ell-Saline - E.S.C.A.P.E. Program
2. Jetmore - J.A.R.R. Program
3. Lansing - L.E.T.S. C.A.R.E. Program
4. Ransom - C.L.I.P. Program

## PROGRAM F (1985)

1. Formoso - F.O.C.U.S. Program
2. Holton - C.H.E.E.R. Program
3. Junction City - Flint Hills Shared Ed. Program
4. Onaga - OARC Program

## PROGRAM E (1984)

1. Hiawatha Education Learning Program
2. Kingman - K.A.R.E. Program
3. Lewis Community Education Program
4. Madison Community Resource Program
5. Mound Valley - L.I.F.E. Program
6. Satanta Community Resource Program

## PROGRAM D (1983)

1. Ashland - Creative Education in Clark Co.
2. Effingham Community Education Program
3. Goessel Community Education Program
4. Roxbury Community Education Program
5. Troy - Doniphan Co. Education Program

## PROGRAM C (1982)

1. Eskridge - L.I.F.T. Program
2. Glasco - G.I.F.T.S. Program
3. Jennings Community Learning Exchange
4. Mound City - LINNC for Learning
5. Newton Community Learning Exchange
6. Osawatomie Community Education
7. Ottawa Community Forum
8. Perry-LeCompton Community Education Exchange

## PROGRAM B (1981)

1. Belleville Area Free University
2. Beloit - Post Rock University
3. Kansas City - Prescott Neighborhood Assn.
4. Pawnee Rock Free University
5. Pittsburg - Free Apple Community School
6. Sharon Springs - Mt. Sunflower Free University

## PROGRAM A (1980)

1. Bonner Springs - S.P.I.C.E. Program
2. Burlingham Community Education Program
3. Courtland Community Education Program
4. Garnet - A.C.R.E. Program
5. Haysville - The Education Connection
6. Iola Community
7. Kansas City - Little House Free University
8. Lawrence - Jack of All Trades
9. Paola - Paolans United
10. Summerfield Community Education Program
11. Westmoreland - Westy Community Ed Program

COMMUNITY RESOURCE PROGRAM 1987

POPULATION RANGE	TOWN	POPULATION
0-999	ROXBURY .....	97
	FORMOSO .....	160
	JENNINGS .....	194
	SUMMERFIELD .....	222
	COURTLAND .....	377
	MOUND VALLEY .....	387
	PAWNEE ROCK .....	411
	GRIDLEY .....	416
	GOESSEL .....	425
	RANSOM .....	448
	LEWIS .....	544
	WESTMORELAND .....	603
	EFFINGHAM .....	632
	NORTONVILLE .....	692
	GLASCO .....	709
	MOUND CITY .....	753
	ONAGA .....	800
JETMORE .....	864	
SHARON SPRINGS .....	968	
1,000-2,499	ELL-SALINE .....	1,000
	ASHLAND .....	1,096
	SATANTA .....	1,110
	TROY .....	1,233
2,500-4-999	BELLEVILLE .....	2,807
	BURLINGTON .....	2,908
	HOLTON .....	3,126
	GARNETT .....	3,293
	KINGMAN .....	3,517
	HIAWATHA .....	3,702
	BELOIT .....	4,354
	PAOLA .....	4,554
5,000-9,999	LANSING .....	5,327
	BONNER SPRINGS .....	6,235
	IOLA .....	6,951
	HAYSVILLE .....	8,101
10,000-49,999	OTTAWA .....	10,759
	NEWTON .....	16,225
	JUNCTION CITY .....	20,381
over 50,000	LAWRENCE .....	52,003
	OVERLAND PARK .....	81,385
	KANSAS CITY .....	159,972

# HOUSE BILL No. 2076

## PROPOSED AMENDMENTS

By Legislative Commission on Kansas Economic Development

For Consideration by Committee on Economic Development

1-22

Attachment 11  
03/04/87

0016 AN ACT relating to agricultural land; concerning the use thereof  
0017 by corporations; amending K.S.A. 1986 Supp. 17-5903 and  
0018 17-5904 and repealing the existing sections; and also repeal-  
0019 ing K.S.A. 1986 Supp. 17-5904a.

for certain purposes; prohibiting certain ad valorem taxation exemptions  
for such purposes

0020 *Be it enacted by the Legislature of the State of Kansas:*

0021 Section 1. K.S.A. 1986 Supp. 17-5903 is hereby amended to  
0022 read as follows: 17-5903. As used in this act:

K.S.A. 79-201a and

0023 (a) "Corporation" means a domestic or foreign corporation  
0024 organized for profit or nonprofit purposes.

0025 (b) "Nonprofit corporation" means a corporation organized  
0026 not for profit and which qualifies under section 501(c)(3) of the  
0027 federal internal revenue code of 1954 as amended.

0028 (c) "Limited partnership" has the meaning provided by  
0029 K.S.A. 56-1a01 and amendments thereto.

0030 (d) "Limited agricultural partnership" means a limited part-  
0031 nership founded for the purpose of farming and ownership of  
0032 agricultural land in which:

0033 (1) The partners do not exceed 10 in number;

0034 (2) the partners are all natural persons, persons acting in a  
0035 fiduciary capacity for the benefit of natural persons or nonprofit  
0036 corporations, or general partnerships other than corporate part-  
0037 nerships formed under the laws of the state of Kansas; and

0038 (3) at least one of the general partners is a person residing on  
0039 the farm or actively engaged in the labor or management of the  
0040 farming operation. If only one partner is meeting the require-  
0041 ment of this provision and such partner dies, the requirement of  
0042 this provision does not apply for the period of time that the  
0043 partner's estate is being administered in any district court in  
0044 Kansas.

0045 (e) "Corporate partnership" means a partnership, as defined  
0046 in K.S.A. 56-306 and amendments thereto, which has within the  
0047 association one or more corporations.

0048 (f) "Feedlot" means a lot, yard, corral, or other area in which  
0049 livestock fed for slaughter are confined. The term includes  
0050 within its meaning agricultural land in such acreage as is neces-  
0051 sary for the operation of the feedlot.

0052 (g) "Agricultural land" means land suitable for use in farm-  
0053 ing.

0054 (h) "Farming" means the cultivation of land for the produc-  
0055 tion of agricultural crops, the raising of poultry, the production of  
0056 eggs, the production of milk, the production of fruit or other  
0057 horticultural crops, grazing or the production of livestock. Farm-  
0058 ing does not include the production of timber, forest products,  
0059 nursery products or sod, and farming does not include a contract  
0060 to provide spraying, harvesting or other farm services.

0061 (i) "Fiduciary capacity" means an undertaking to act as ex-  
0062 ecutor, administrator, guardian, conservator, trustee for a family  
0063 trust, authorized trust or testamentary trust or receiver or trustee  
0064 in bankruptcy.

0065 (j) "Family farm corporation" means a corporation:

0066 (1) Founded for the purpose of farming and the ownership of  
0067 agricultural land in which the majority of the voting stock is held  
0068 by and the majority of the stockholders are persons related to  
0069 each other, all of whom have a common ancestor within the third  
0070 degree of relationship, by blood or by adoption, or the spouses or  
0071 the stepchildren of any such persons, or persons acting in a  
0072 fiduciary capacity for persons so related;

0073 (2) all of its stockholders are natural persons or persons acting  
0074 in a fiduciary capacity for the benefit of natural persons; and

0075 (3) at least one of the stockholders is a person residing on the  
0076 farm or actively engaged in the labor or management of the  
0077 farming operation. A stockholder who is an officer of any corpo-  
0078 ration referred to in this subsection and who is one of the related  
0079 stockholders holding a majority of the voting stock shall be  
0080 deemed to be actively engaged in the management of the farm-  
0081 ing corporation. If only one stockholder is meeting the require-

0082 ment of this provision and such stockholder dies, the require-  
0083 ment of this provision does not apply for the period of time that  
0084 the stockholder's estate is being administered in any district  
0085 court in Kansas.

0086 (k) "Authorized farm corporation" means a Kansas corpora-  
0087 tion, other than a family farm corporation, all of the incorporators  
0088 of which are Kansas residents and which is founded for the  
0089 purpose of farming and the ownership of agricultural land in  
0090 which:

- 0091 (1) The stockholders do not exceed 15 in number;
- 0092 (2) the stockholders are all natural persons or persons acting  
0093 in a fiduciary capacity for the benefit of natural persons or  
0094 nonprofit corporations; and
- 0095 (3) at least 30% of the stockholders are persons residing on  
0096 the farm or actively engaged in the day-to-day labor or manage-  
0097 ment of the farming operation. If only one of the stockholders is  
0098 meeting the requirement of this provision and such stockholder  
0099 dies, the requirement of this provision does not apply for the  
0100 period of time that the stockholder's estate is being administered  
0101 in any district court in Kansas.

0102 For the purposes of this definition, if more than one person  
0103 receives stock by bequest from a deceased stockholder, all of  
0104 such persons, collectively, shall be deemed to be one stock-  
0105 holder, and a husband and wife, and their estates, collectively,  
0106 shall be deemed to be one stockholder.

0107 (l) "Trust" means a fiduciary relationship with respect to  
0108 property, subjecting the person by whom the property is held to  
0109 equitable duties to deal with the property for the benefit of  
0110 another person, which arises as a result of a manifestation of an  
0111 intention to create it. A trust includes a legal entity holding  
0112 property as trustee, agent, escrow agent, attorney-in-fact and in  
0113 any similar capacity.

0114 (m) "Family trust" means a trust in which:

- 0115 (1) A majority of the equitable interest in the trust is held by  
0116 and the majority of the beneficiaries are persons related to each  
0117 other, all of whom have a common ancestor within the third  
0118 degree of relationship, by blood or by adoption, or the spouses or

0119 stepchildren of any such persons, or persons acting in a fiduciary  
0120 capacity for persons so related; and

0121 (2) all the beneficiaries are natural persons, are persons act-  
0122 ing in a fiduciary capacity, other than as trustee for a trust, or are  
0123 nonprofit corporations.

0124 (n) "Authorized trust" means a trust other than a family trust  
0125 in which:

0126 (1) The beneficiaries do not exceed 15 in number;

0127 (2) the beneficiaries are all natural persons, are persons act-  
0128 ing in a fiduciary capacity, other than as trustee for a trust, or are  
0129 nonprofit corporations; and

0130 (3) the gross income thereof is not exempt from taxation  
0131 under the laws of either the United States or the state of Kansas.

0132 For the purposes of this definition, if one of the beneficiaries  
0133 dies, and more than one person succeeds, by bequest, to the  
0134 deceased beneficiary's interest in the trust, all of such persons,  
0135 collectively, shall be deemed to be one beneficiary, and a hus-  
0136 band and wife, and their estates, collectively, shall be deemed to  
0137 be one beneficiary.

0138 (o) "Testamentary trust" means a trust created by devising or  
0139 bequeathing property in trust in a will as such terms are used in  
0140 the Kansas probate code.

0141 ~~(p) "Swine confinement facility" means the structures and  
0142 related equipment used for housing, breeding, farrowing or  
0143 feeding of swine in an enclosed environment. The term includes  
0144 within its meaning only such agricultural land as is necessary  
0145 for proper disposal of liquid and solid wastes and for isolation  
0146 of the facility to reasonably protect the confined animals from  
0147 exposure to disease.~~

0148 ~~(q)~~ "Poultry confinement facility" means the structures and  
0149 related equipment used for housing, breeding, laying of eggs or  
0150 feeding of poultry in a restricted environment. The term in-  
0151 cludes within its meaning only such agricultural land as is  
0152 necessary for proper disposal of liquid and solid wastes and for  
0153 isolation of the facility to reasonably protect the confined  
0154 poultry from exposure to disease. As used in this subsection,  
0155 "poultry" means chickens, turkeys, ducks, geese or other fowl.

(p)

0156 Sec. 2. K.S.A. 1986 Supp. 17-5904 is hereby amended to read  
0157 as follows: 17-5904. (a) No corporation, trust, limited partnership  
0158 or corporate partnership, other than a family farm corporation,  
0159 authorized farm corporation, limited agricultural partnership,  
0160 family trust, authorized trust or testamentary trust shall, either  
0161 directly or indirectly, own, acquire or otherwise obtain or lease  
0162 any agricultural land in this state. The restrictions provided in  
0163 this section do not apply to the following:

0164 (1) A bona fide encumbrance taken for purposes of security.

0165 (2) Agricultural land when acquired as a gift, either by grant  
0166 or devise, by a bona fide educational, religious or charitable  
0167 nonprofit corporation.

0168 (3) Agricultural land acquired by a corporation in such  
0169 acreage as is necessary for the operation of a nonfarming busi-  
0170 ness. Such land may not be used for farming except under lease  
0171 to one or more natural persons, a family farm corporation, autho-  
0172 rized farm corporation, family trust, authorized trust or testa-  
0173 mentary trust. The corporation shall not engage, either directly  
0174 or indirectly, in the farming operation and shall not receive any  
0175 financial benefit, other than rent, from the farming operation.

0176 (4) Agricultural land acquired by a corporation by process of  
0177 law in the collection of debts, or pursuant to a contract for deed  
0178 executed prior to the effective date of this act, or by any pro-  
0179 cedure for the enforcement of a lien or claim thereon, whether  
0180 created by mortgage or otherwise, if such corporation divests  
0181 itself of any such agricultural land within 10 years after such  
0182 process of law, contract or procedure, *except that provisions of*  
0183 *K.S.A. 9-1102 and amendments thereto shall apply to any bank*  
0184 *which acquires agricultural land.*

0185 (5) A municipal corporation.

0186 (6) Agricultural land which is acquired by a trust company or  
0187 bank in a fiduciary capacity or as a trustee for a nonprofit  
0188 corporation.

0189 (7) Agricultural land owned or leased or held under a lease  
0190 purchase agreement as described in K.S.A. 12-1741 and amend-  
0191 ments thereto by a corporation, corporate partnership, limited  
0192 corporate partnership or trust on the effective date of this act if

0193 (A) any such entity owned or leased such agricultural land prior  
0194 to July 1, 1965, provided such entity shall not own or lease any  
0195 greater acreage of agricultural land than it owned or leased prior  
0196 to the effective date of this act unless it is in compliance with the  
0197 provisions of this act, or (B) any such entity was in compliance  
0198 with the provisions of K.S.A. 17-5901 prior to its repeal by this  
0199 act, provided such entity shall not own or lease any greater  
0200 acreage of agricultural land than it owned or leased prior to the  
0201 effective date of this act unless it is in compliance with the  
0202 provisions of this act, and absence of evidence in the records of  
0203 the county where such land is located of a judicial determination  
0204 that such entity violated the provisions of K.S.A. 17-5901 shall  
0205 constitute proof that the provisions of this act do not apply to  
0206 such agricultural land, and that such entity was in compliance  
0207 with the provisions of K.S.A. 17-5901 prior to its repeal, or (C)  
0208 any such entity was not in compliance with the provisions of  
0209 K.S.A. 17-5901 prior to its repeal by this act, but is in compliance  
0210 with the provisions of this act by July 1, 1991.

0211 (8) Agricultural land held or leased by a corporation for use as  
0212 a feedlot ~~or a swine confinement facility~~ or a poultry confinement  
0213 facility.

0214 (9) Agricultural land held or leased by a corporation for the  
0215 purpose of the production of timber, forest products, nursery  
0216 products, or sod.

0217 (10) Agricultural land used for bona fide educational research  
0218 or scientific or experimental farming.

0219 (11) Agricultural land used for the commercial production  
0220 and conditioning of seed for sale or resale as seed or for the  
0221 growing of alfalfa by an alfalfa processing entity if such land is  
0222 located within 30 miles of such entity's plant site.

0223 (12) Agricultural land owned or leased by a corporate part-  
0224 nership or limited corporate partnership in which the partners  
0225 associated therein are either natural persons, family farm corpo-  
0226 rations, authorized farm corporations, family trusts, authorized  
0227 trusts or testamentary trusts.

0228 (13) Any corporation, either domestic or foreign, organized  
0229 for coal mining purposes which engages in farming on any tract



0230 of land owned by it which has been strip mined for coal.

0231 (14) Agricultural land owned or leased by a limited partner-  
0232 ship prior to the effective date of this act.

0233 (b) Any corporation, trust, limited corporate partnership or  
0234 corporate partnership, other than a family farm corporation, au-  
0235 thorized farm corporation, family trust, authorized trust or tes-  
0236 tamentary trust, violating the provisions of this section shall be  
0237 subject to a civil penalty of not more than \$50,000 and shall  
0238 divest itself of any land acquired in violation of this section  
0239 within one year after judgment is entered in the action. The  
0240 district courts of this state may prevent and restrain violations of  
0241 this section through the issuance of an injunction. The attorney  
0242 general or district or county attorney shall institute suits on  
0243 behalf of the state to enforce the provisions of this section.

0244 (c) Civil penalties sued for and recovered by the attorney  
0245 general shall be paid into the state general fund. Civil penalties  
0246 sued for and recovered by the county attorney or district attorney  
0247 shall be paid into the general fund of the county where the  
0248 proceedings were instigated.

0249 Sec. 5. K.S.A. 1986 Supp. 17-5903, 17-5904 and 17-5904a are  
0250 hereby repealed.

0251 Sec. 6. This act shall take effect and be in force from and  
0252 after its publication in the statute book.

Insert sections 3 and 4 attached

K.S.A. 79-201a and

New Sec. 3. No city or county may grant any exemption from ad valorem taxation under section 13 of article 11 of the Constitution of the state of Kansas for all or any portion of the appraised valuation of all or any part of the buildings, improvements, tangible personal property and land of any poultry confinement facility which is on agricultural land and which is owned or operated by a corporation. As used in this section, "corporation," "agricultural land" and "poultry confinement facility" have the meanings respectively ascribed thereto by K.S.A. 17-5903 and amendments thereto.

Sec. 4. K.S.A. 79-201a is hereby amended to read as follows: 79-201a. The following described property, to the extent herein specified, shall be exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

First. All property belonging exclusively to the United States, except property which congress has expressly declared to be subject to state and local taxation.

Second. All property used exclusively by the state or any municipality or political subdivision of the state. All property owned or operated by the state or any municipality or political subdivision of the state which is used or is to be used for any governmental or proprietary function and for which bonds may be issued or taxes levied to finance the same, shall be considered to be "used exclusively" by the state, municipality or political subdivision for the purposes of this act. Any property constructed or purchased with the proceeds of industrial revenue bonds issued prior to July 1, 1963, as authorized by K.S.A. 12-1740 to 12-1749, or purchased with proceeds of improvement district bonds issued prior to July 1, 1963, as authorized by K.S.A. 19-2776, or with proceeds of bonds issued prior to July 1, 1963, as authorized by K.S.A. 19-3815a and 19-3815b, or any property improved, purchased, constructed, reconstructed or repaired with the proceeds of revenue bonds issued prior to July 1, 1963, as authorized by K.S.A. 13-1238 to 13-1245, inclusive, and amendments thereto, or any property improved, reimproved, reconstructed or repaired with the proceeds of revenue bonds issued after July 1, 1963, under the authority of K.S.A. 13-1238

to 13-1245, inclusive, which had previously been improved, reconstructed or repaired with the proceeds of revenue bonds issued under such act on or before July 1, 1963, shall be exempt from taxation for so long as any of the revenue bonds issued to finance such construction, reconstruction, improvement, repair or purchase shall be outstanding and unpaid. Any property constructed or purchased with the proceeds of any revenue bonds authorized by K.S.A. 13-1238 to 13-1245, inclusive, 19-2776, 19-3815a and 19-3815b, and amendments thereto, issued on or after July 1, 1963, shall be exempt from taxation only for a period of 10 calendar years after the calendar year in which the bonds were issued. Any property, all or any portion of which is constructed or purchased with the proceeds of revenue bonds authorized by K.S.A. 12-1740 to 12-1749, inclusive, and amendments thereto, issued on or after July 1, 1963 and prior to July 1, 1981, shall be exempt from taxation only for a period of 10 calendar years after the calendar year in which the bonds were issued. Any property constructed or purchased wholly with the proceeds of revenue bonds issued on or after July 1, 1981, under the authority of K.S.A. 12-1740 to 12-1749, inclusive, and amendments thereto, shall be exempt from taxation only for a period of 10 calendar years after the calendar year in which the bonds were issued. Any property constructed or purchased in part with the proceeds of revenue bonds issued on or after July 1, 1981, under the authority of K.S.A. 12-1740 to 12-1749, inclusive, and amendments thereto, shall be exempt from taxation to the extent of the value of that portion of the property financed by the revenue bonds and only for a period of 10 calendar years after the calendar year in which the bonds were issued. The exemption of that portion of the property constructed or purchased with the proceeds of revenue bonds shall terminate upon the failure to pay all taxes levied on that portion of the property which is not exempt and the entire property shall be subject to sale in the manner prescribed by K.S.A. 79-2301 et seq., and amendments thereto. Property purchased, constructed, reconstructed, equipped, maintained or repaired with the proceeds of industrial revenue bonds issued under the authority of K.S.A. 12-1740 et

seq., and amendments thereto, which is located in a redevelopment project area established under the authority of K.S.A. 12-1770 et seq. shall not be exempt from taxation. Property purchased, acquired, constructed, reconstructed, improved, equipped, furnished, repaired, enlarged or remodeled with all or any part of the proceeds of revenue bonds issued under authority of K.S.A. 12-1740 through 12-1749a and amendments thereto for any poultry confinement facility on agricultural land which is owned, acquired, obtained or leased by a corporation, as such terms are defined by K.S.A. 17-5903 and amendments thereto, shall not be exempt from such taxation.

Third. All works, machinery and fixtures used exclusively by any rural water district or township water district for conveying or production of potable water in such rural water district or township water district.

Fourth. All fire engines and other implements used for the extinguishment of fires, with the buildings used exclusively for the safekeeping thereof, and for the meeting of fire companies, whether belonging to any rural fire district, township fire district, town, city or village, or to any fire company organized therein or therefor.

Fifth. All property, real and personal, owned by county fair associations organized and operating under the provisions of K.S.A. 2-125 et seq. and amendments thereto.

Sixth. Property acquired and held by any municipality under the municipal housing law (K.S.A. 17-2337 et seq.) and amendments thereto, except that such exemption shall not apply to any portion of the project used by a non-dwelling facility for profit making enterprise.

Seventh. All property of a municipality, acquired or held under and for the purposes of the urban renewal law (K.S.A. 17-4742 et seq.) and amendments thereto except that such tax exemption shall terminate when the municipality sells, leases or otherwise disposes of such property in an urban renewal area to a purchaser or lessee which is not a public body entitled to tax exemption with respect to such property.

Eighth. All property acquired and held by the Kansas armory

board for armory purposes under the provisions of K.S.A. 48-317, and amendments thereto.

Ninth. All property acquired and used by the Kansas turnpike authority under the authority of K.S.A. 68-2001 et seq., and amendments thereto, K.S.A. 68-2030 et seq., and amendments thereto, K.S.A. 68-2051 et seq., and amendments thereto, and K.S.A. 68-2070 et seq., and amendments thereto.

Tenth. All property acquired and used for park purposes by the state park and resources authority under the authority of K.S.A. 74-4501 et seq., and amendments thereto.

Eleventh. The state office building constructed under authority of K.S.A. 75-3607 et seq., and amendments thereto, and the site upon which such building is located.

Twelfth. All buildings erected under the authority of K.S.A. 76-6a01 et seq., and amendments thereto, and all other student union buildings and student dormitories erected upon the campus of any institution mentioned in K.S.A. 76-6a01, and amendments thereto, by any other nonprofit corporation.

Thirteenth. All buildings, as the same is defined in subsection (c) of K.S.A. 76-6a13, and amendments thereto, which are erected, constructed or acquired under the authority of K.S.A. 76-6a13 et seq., and amendments thereto, and building sites acquired therefor.

Fourteenth. All that portion of the waterworks plant and system of the city of Kansas City, Missouri, now or hereafter located within the territory of the state of Kansas pursuant to the compact and agreement adopted by chapter 304 of the 1921 Session Laws of the state of Kansas [See K.S.A. 79-205].

Fifteenth. All property, real and personal, owned by a groundwater management district organized and operating pursuant to K.S.A. 82a-1020, and amendments thereto.

The provisions of this section shall apply to all taxable years commencing after December 31, 1980.