

Approved 3-5-87
Date

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Wint Winter, Jr. at
Chairperson

12:40 a.m./p.m. on February 26, 1987 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Arden Ensley, Revisor of Statutes
Lynne Holt, Legislative Research Department
Mary Allen, Secretary to the Committee
Tom Severn, Legislative Research Department
Ramon Powers, Legislative Research Department

Chris Courtwright, Legislative Research
Department

Conferees appearing before the committee:

Robert L. Schaeffer, President, The Columbian Securities Corporation, Topeka
E. A. Mosher, League of Kansas Municipalities

The meeting was called or order at 12:40 p.m. by the Chairman, Senator Wint Winter, Jr..

Senate Bill 73 - An Act enacting the Kansas development finance authority act.

Chairman Winter called on Tom Severn, Legislative Research Department, to give the Committee a general overview of the policy behind SB 73 and to explain each section of the bill. Mr. Severn said that the Capital Markets and Taxation Task Force recommended that a statewide multipurpose bond issuing authority be established to address the long term capital financing needs of the state. He noted that the principal motivation for that is the change in the federal tax law. He stated that SB73 is the mechanism for that recommendation of the Task Force. He said that the principal way that the proposed Authority in SB 73 would work would be to aggregate smaller bond issues into ones of marketable size.

Mr. Severn told the Committee that the proposal in SB 73 is not in response to current problems but rather is a response to anticipated problems in the availability of long term credit. He gave the Committee a brief explanation of each section of the bill and answered questions by members of the Committee concerning its provisions.

Chairman Winter stated that the Authority is envisioned, in SB 73, to be outside of state government. It would not be a state agency but would be a separate body, created by the state with independent authority and powers. It would, perhaps, be funded initially by the state but thereafter would operate on its own revenues.

Senator Feleciano questioned the penalty provisions in New Section 20 of SB 73 in regard to personal gain of an officer or employee of the Authority and noted that barring such employee from public employment in the state for five years would be a meaningless penalty. Staff observed that this penalty would be in addition to any penalties provided by conflict of interest statutes or criminal statutes. The Chairman asked staff to look at this section of the bill to see whether or not the language could be clarified to show that the penalty stated in the section would be in addition to any other civil or criminal penalties which might apply.

Chairman Winter asked Lynne Holt, Legislative Research Department, to brief the Committee on the Arkansas Development Finance Authority. The Chairman noted that the Authority proposed in SB 73 was modeled after the one in Arkansas. Ms. Holt told the Committee that the 1985 General Assembly in Arkansas appropriated \$446,584.00 from the State General Fund as start-up funding for the Authority's Development Finance Division for a two year period. She stated that it is her understanding that this money will not be reimbursed to the state. She pointed out that an important difference between the Arkansas Authority and the one proposed in Kansas is that when the Arkansas Authority was funded by the Arkansas legislature, it was actually added to an existing agency. The Arkansas Authority currently employs thirty-five people and has a total budget of \$1.5 million, of which approximately \$850,000.00 is designated for salaries

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 SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

room 529-S, Statehouse, at 12:40 a.m./p.m. on February 26, 1987.

Ms. Holt said that Wooten Epes, President of the Arkansas Authority, made suggestions as to projected costs and staffing requirements for the establishment of an Authority in Kansas. She noted that Mr. Epes suggested that the Authority consist of two departments, a Finance Department and a Program Development Department which would entail "hands-on" work with borrowers from cities, counties, and businesses. He suggested a President and two vice presidents, one for each department. Ideally, the Finance Department would have a fiscal officer, two accountants, and a secretary, and the Program Development Department would have two consultants, one project analyst for industrial projects and one for infrastructure projects. A secretary would be needed for that Department. In addition, there would need to be a receptionist and an executive secretary to the President. Mr. Epes estimated total staffing expenditures for fourteen positions to be in the range of \$341,000.00 to \$478,000.00.

Ms. Holt said that Mr. Epes noted that when an Authority like this is started, you need a lot of computer software for records of all fund accounts for each bond issue must be maintained. He suggested that \$50,000.00 to \$75,000.00 might be needed to start this system. He also recommended that funding be set aside for travel and consulting.

Chairman Winter introduced Robert Schaeffer, President of the Columbian Securities Corporation in Topeka. Mr. Schaeffer spoke to the Committee on SB 73. He talked of industrial revenue bonds, noted that there is a lot of cash "out there" and that cash is not a problem. He said that substance or quality rather than size really determine whether or not a "deal will float". He questioned whether or not the state wants "marginal deals done". He observed that the private sector can definitely do anything which is half way "do-able". He said that he truly believes that if you don't have some type of state guarantee involvement, SB 73 will have very little, if any, affect on industrial development.

Mr. Schaeffer discussed general obligation bonds and observed that he does not see a need for the type of legislation as appears in SB 73 in this area. He said that if the state really wants to help it could remove the income tax on the interest for that would lower the interest. In conclusion, he said that he does not see the need in Kansas for an Authority as set up in SB 73.

The Chairman asked E. A. Mosher, League of Kansas Municipalities, if municipal issuances should be removed from SB 73. Mr. Mosher said that sooner or later there will be a public bond pooling agency in Kansas. He pointed to the tremendous infrastructure needs and the changing market conditions. He stated that he is inclined to agree that the time is not "ripe" right now for such an agency. He observed that, as he interprets SB 73, there is nothing to authorize the Authority to issue bonds for any purpose except in behalf of and at the request of a state agency or one or more political subdivisions. He referred to the amendments proposed to SB 73 at a previous meeting of the Committee by Jack Ranson, and noted that if these are passed, there would be nothing left to the bill for it would be of use to no one except state agencies.

Chairman Winter told the Committee that SB 73 will be scheduled again next week. He requested that any member who wishes to suggest amendments to the bill should submit them to him and to the Ranking Minority Member of the Committee no later than 5:00 p.m., Tuesday, March 3.

The meeting was adjourned by the Chairman at 1:30 p.m..

GUEST LIST

<u>NAME</u>	<u>REPRESENTING</u>
BOB Schaeffen	Columbian Securities
KAREN McCHERRY	Ks. Assoc. OF REALTORS
BRIAN JONES	
Jim Jumper	Kansas League of Savings.
Lynn Van Rabe	KLSI
Al Foster	League of Ks Municipalities
Ann Rice	Dept. of Admin.
Tom Ott	J. O. Davidson & Assoc. Inc.
John Marklar	Beecroft Cole & Co. Inc.
Galen Swenson	Ks Board of Agric.
Dwain Heltsom	State Ins. Office
Jim Jumper	Intern - DOC