

Approved March 2, 1988
Date

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

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

12:40 ~~xxx~~/p.m. on February 16, 1988 in room 254-E of the Capitol.

All members were present except:

Committee staff present:

Bill Edds, Revisor of Statutes' Office
Lynne Holt, Legislative Research Department
Mary Allen, Secretary to the Committee

Conferees appearing before the committee:

Harland Priddle, Secretary, Department of Commerce
Don Gragg, Director, Community Development Division, Department of Commerce
Dr. Anthony Redwood, Institute for Public Policy and Business Research, University
of Kansas
Bernard Koch, Wichita Area Chamber of Commerce
E. A. Mosher, Executive Director, League of Kansas Municipalities
John T. Torbert, Executive Director, Kansas Association of Counties
Michael Germann, Kansas Railroad Association
Allen Bell, Kansas Development Finance Authority

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

Senate Bill 574 - An Act relating to economic development; establishing the Kansas partnership fund; authorizing loans for certain local government infrastructure projects; prescribing powers, duties and functions relating thereto.

The Chairman called on staff to explain the provisions of SB 574. Staff said that SB 574 establishes the Kansas Partnership Fund to be used for loans to local units of government for infrastructure projects. This would be a revolving loan fund administered by the Kansas Department of Commerce (KDOC). The intent of this program is to finance public infrastructure projects to aid the expansion, relocation and attraction of business and to loan moneys for such projects. Staff discussed the background of SB 574 and noted that Redwood and Krider, in their 1986 report, recommended that a revolving loan fund be established for infrastructure development available for use by communities to promote economic development. The KDOC has recommended that the state consider a program to complement and supplement the federally funded Community Development Block Grant Program. Staff stated that the Governor recommended \$5.5 million for FY 1989 from the Economic Development Initiatives Fund for the program set forth in SB 574.

Harland Priddle, Secretary of the Department of Commerce, said that many times there is a need for communities at the local level to be in partnership with the state. He introduced Don Gragg, Director of the Community Development Division of KDOC, to present KDOC's views on SB 574. Mr. Gragg stated that KDOC strongly supports and endorses the Kansas Partnership Fund and SB 574 and noted that this revolving loan program will fill a critical void to local units of government in creating an environment conducive to economic development. He pointed out that the era of extensive federal aid opportunities for local units of government is over.

Mr. Gragg stated that the program set forth in SB 574 would address the following basic needs:

1. The Kansas Partnership Fund will enhance our competitive position by providing Kansas with an economic development tool already used by other states.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

room 254-E, Statehouse, at 12:40 ~~xxx~~ p.m. on February 16, 1988.

2. The Fund will help to fill financing gaps of federal programs.
3. The Fund could be used to complement federal program funds, leveraging the impact of Kansas' investment into her communities.

(See Attachment I for Mr. Gragg's statement.)

Mr. Gragg provided Committee members with a handout entitled "Kansas Partnership Fund - Revolving Loan Fund - Implementation Proposal, February, 1988". (Attachment II) He observed that this handout contains a more detailed description of the program contained in SB 574 and a brief outline of how KDOC might administer this program.

Dr. Anthony Redwood, Executive Director of the Institute for Public Policy and Business Research at the University of Kansas, spoke on behalf of SB 574. Dr. Redwood said that he strongly supports this bill because of the importance of physical infrastructure for economic development. He pointed out that in his Institute's Economic Development Study strategy and recommendations, they stressed the key importance of local community efforts for fostering economic development and the key importance of having the appropriate physical infrastructure in place at the community level. He observed that they specifically recommended the establishment in the state of a revolving loan pool for infrastructure development available for use by communities to promote economic development. He said that the key feature of SB 574 is that it creates the opportunity for any Kansas community to access loan support for infrastructure development.

Dr. Redwood stated that he supports SB 574 but recommends that the bill be modified to include targeting to basic industry, the specification of economic development criteria for allocation awards, evaluation based on the cost/benefit principle, and the inclusion of a limited grant program for small rural communities. (See Attachment III for Dr. Redwood's statement.)

Chairman Winter called on Bernard Koch, Wichita Area Chamber of Commerce, who spoke in support of SB 574. Mr. Koch suggested that the definition be "tightened up" concerning what projects are eligible for the loans as set up in lines 66 and 67 of the bill. (See Attachment IV for his statement.) In answer to a question by Senator Feleciano, Mr. Koch said that he believes that if the bill does not specifically exempt the payments for the infrastructure which the city or county might be making back to the state, these payments would be under the tax lid. He suggested that the Committee might want to insert language in SB 574 to exempt taxes levied to make principal and interest payments from the tax lid.

E. A. Mosher, Executive Director of the League of Kansas Municipalities, said that the League is in support of SB 574 and he observed that it is one of the top priority objectives of the League's 1988 legislative program. Mr. Mosher proposed and discussed several amendments to SB 574 and he provided the Committee with copies of those proposed amendments. (See Attachment V for his statement and proposed amendments.) Included in these proposed amendments is one in line 77 of the bill which would provide that all loan agreements shall require the city or county to establish a dedicated source of revenue for repayment of the loan and any interest thereon. Mr. Mosher discussed suggested amendments in Section 3 of the bill and said that the League suggests in its proposed subsection (a) that the cities and counties have considerable flexibility as to the sources of revenue with which these loans would be repayed. In its proposed subsection (b) the League suggests first that the language give discretion to the cities and counties that they may repay the loan from the different funds to which its dedicated sources of revenue are deposited. Second, in that subsection the League suggests that if there is a property tax specifically levied for the payment of the principal and interest it be deposited to the bond and interest fund. Another suggested amendment is that any property taxes levied exclusively for repayment of the loans shall be exempt from the existing and the new property tax lid in the same manner that all other property taxes levied for payment of general obligation bonds are exempt from the tax lid.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

room 254-E, Statehouse, at 12:40 ~~xxx~~ p.m. on February 16, 1988

Mr. Mosher referred to the League's suggested subsection (c) and observed that the loans referred to in SB 574 may be construed to be within the bonded debt limitation. The League suggests that it be made clear in the bill that these loans be excluded from the bonded debt limitation of the cities and counties.

John Torbert, Executive Director of the Kansas Association of Counties, spoke to the Committee in support of SB 574. He stated that the loan fund provided for in the bill would be an added important asset in assisting with the economic development of the counties and cities in Kansas. Mr. Torbert stated that his Association supports the amendments suggested by the League of Kansas Municipalities. (See Attachment VI for a copy of his statement.)

Michael Germann, Kansas Railroad Association, spoke on SB 574. He urged the Committee to consider amendments to the bill which would include railroads in the list of projects eligible for the proposed loan fund. (See Attachment VII for his statement.)

The Chairman called on Allen Bell, Kansas Development Finance Authority, to comment on the ability of the KDFA to finance the fund proposed in SB 574. Mr. Bell said that there may be a legal issue involved between the provisions of SB 574 and K.S.A. 74-8901 for one of the provisions of K.S.A. 74-8901 would prohibit the use of the proceeds of the KDFA bonds for purposes which would be authorized under general obligation or utility revenue bonds for political subdivisions. The Chairman asked Mr. Bell to secure an opinion from a bond counsel as to whether or not the language in lines 33 through 35 of SB 574 is legal authority for proceeds from the sale of bonds issued by KDFA to be deposited in the Kansas Partnership Fund.

The Chairman asked staff to meet with KDOC staff and Dr. Redwood's staff to develop a list of criteria for use of the loan program proposed in SB 574 to present to the Committee for its consideration.

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

GUEST LIST

<u>NAME</u>	<u>REPRESENTING</u>
James Power	Ks Dept Health & Envir
Beth Tatarko	Kansas Inc
D. WAYNE ZIMMERMAN	KDOC
Mike Germano	Ks Railroad Association
DON GRAGG	KDOC
Nancy McCabe	KDOC
Delbie Zabel	IPPBR, Univ. of Kansas
Harold Ruddle	KDOC
John T. Dorset	KAC
Bernie Koch	Wichita Chamber
Stephen	Assistant to Management
Tony Redwood	KU

**TESTIMONY
TO
THE SENATE ECONOMIC DEVELOPMENT COMMITTEE**

**BY
Don Gragg
Director, Community Development Division
Kansas Department of Commerce**

February 16, 1988

*Attachment I
Senate Eco Dev
2-16-88*

KANSAS PARTNERSHIP FUND

TESTIMONY OFFERED BY THE KANSAS DEPARTMENT OF COMMERCE

The Kansas Department of Commerce strongly supports and endorses the Governor's recommendation for the Kansas Partnership Fund. This revolving loan program will fill a critical void to local units of government in creating an environment conducive to economic development.

The era of extensive federal aid opportunities for local units of governments is now over, less than 20 years after it began. Since the termination of general revenue sharing in 1986, and with the elimination or sharp decline of other grant and loan programs (such as Farmer's Home Administration Grants and loans, EPA Construction Grants, etc), the great majority of local governments now receive no fiscal assistance whatsoever from Washington. For example, funding in Kansas for the Community Development Block Grant program has declined by about 25% between 1983 and 1988, from nearly \$18 million to approximately \$13 million. In Kansas the problem of declining federal resources has been compounded by a rapid decline in assessed property valuation, affecting revenue resources of these local governments.

The Federal Government's New Federalism program is resulting in states across the nation developing and implementing revolving loan programs to assist local units of government. Missouri has established a \$46.8 million fund to provide low interest loans to local governments for infrastructure projects. Last fall South Dakota established a \$40 million revolving loan fund to assist local units of governments in securing new or expanding businesses.

Senate Bill No. 574 would establish a broadly based fund allowing the Department to join in partnership with local units of government to finance infrastructure improvements necessary for business development. This testimony will provide background on why this program is needed, and discuss some elements of how the Department might administer this fund.

The department would like to note three basic needs which this program addresses:

- 1) The Kansas Partnership Fund will enhance our competitive position by providing Kansas with an economic development tool already used by other states. According to early 1986 data from NASDA, at least 14 States have already implemented different types of grant and loan programs to enhance their economic development efforts. Included in these programs is funding for infrastructure as well as loan and grant

programs directly to businesses. Most of these program funding levels are over \$10 million.

2) The Fund will help to fill financing gaps of federal programs. There are several federal programs which still provide some financing assistance for infrastructure improvements. The Kansas Partnership Fund will provide financing in areas which federal programs cannot cover. The following brief listing identifies federal programs and their gaps.

Community Development Block Grant Funds: Under this state administered program grants may be made to local units of government for infrastructure improvements. This funding may or may not be directly linked to job creation. Also, these funds must be used to primarily benefit low-to-moderate income persons. As a result, this program cannot be used to assist in the development of businesses creating high technology or skilled jobs. The availability of such skilled jobs, which reap more economic benefits, should be a priority for the state of Kansas.

Farmer's Home Administration: There are two FmHA programs which provide limited funding for infrastructure improvements; Community Facility Loans, and Water and Waste Disposal Loans and Grants. Neither of these are linked to job creation. Both of these programs are limited to rural areas. In FmHA's primary infrastructure funding source, the water and waste disposal program, interest rates for loans are set on a three tier system. Applicants qualify for interest rate levels according to income levels and need to meet health standards. The lowest interest rates are difficult to qualify for, while the higher rate is to close to current bond rates to provide relief.

Economic Development Administration: EDA manages a grant program for public works that ties in with job creation. These grants are available only to the 30 counties which are designated "redevelopment areas" or areas which are part of an Economic Development District (only if benefit to entire district can be shown).

3) The Fund could be used to compliment federal program funds, leveraging the impact of Kansas' investment into her communities. All of the programs mentioned above require some form or amount of local match. Kansas Partnership Fund monies could be used as part of that local match. In some cases, this would enable the local applicant to receive

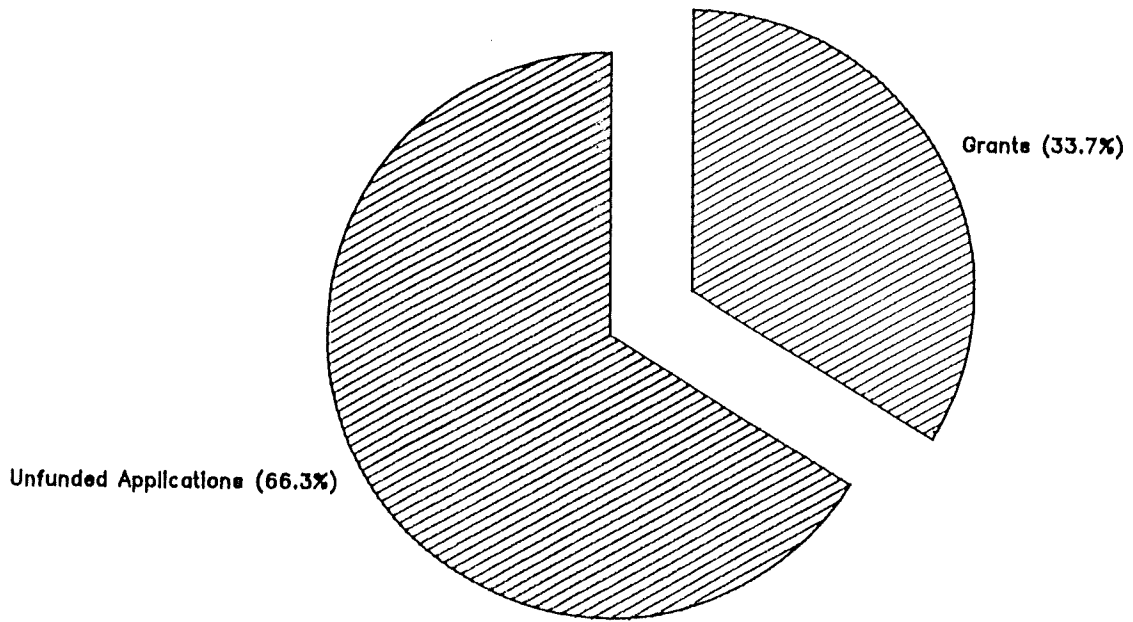
additional points in the federal rating process.

John Zender, regional EDA representative, has indicated that many potential applicants for the EDA program find it difficult to provide the minimum local match. He commented that the proposed Kansas Partnership Fund could result in more EDA funding flowing into distressed areas of the state.

There are no estimates of the volume of demand for a program of this particular type. The closest information available is from the Community Development Block Grant Program. This program provides: community improvement grants which are not directly related to job creation; and economic development grants, usually used as loans directly to businesses, and also for infrastructure improvements related to job creation and retention. The diagrams show the level of demand for this program in relation to available funding.

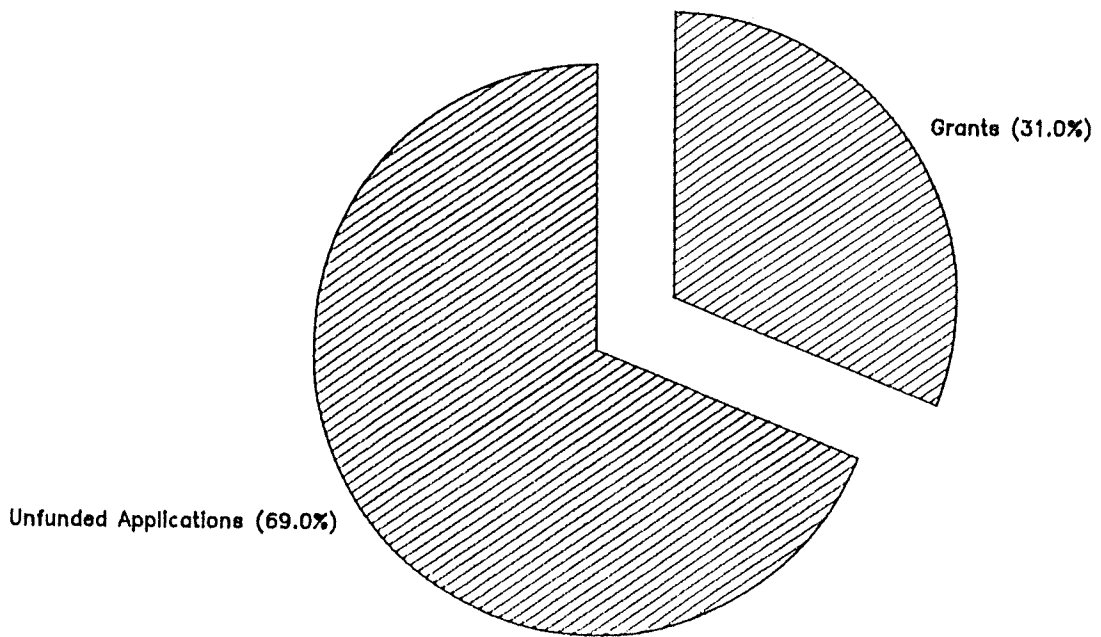
1987 Community Development Block Grants

Funding Requests of \$45,697,149



1987 Community Development Block Grants

255 Applications



**"KANSAS PARTNERSHIP FUND"
REVOLVING LOAN FUND**

IMPLEMENTATION PROPOSAL
FEBRUARY, 1988

Budget Request

\$5,500,000 has been recommended by the Governor in the C level of the Community Development Division 1989 budget for this program.

Background

An essential indicator of a community's economic development potential is its ability to support the physical requirements of growth on infrastructure. Increased employment opportunities result in increased demands on water, sewer, street and other facilities. There has been a growing realization that there is a gap between the needs of Kansas communities to improve local infrastructure and their ability to shoulder the costs for these improvements.

With this realization has come support for the initiation of a program to provide state assistance for local infrastructure. The state's recent economic development plan by Drs. Redwood and Krider recommended implementation of a infrastructure loan pool for economic development at the community level. The citizens of Kansas recently passed a constitutional amendment allowing the state to make this and other types of investments. Kansas Inc.'s "Proposal for Expenditure of Gaming Fund Revenues" gives infrastructure programs the highest funding priority. Minutes of the Kansas Inc. Board meeting shows support for this concept from the board members. At a November 3, 1987 meeting of the Joint Committee on Economic Development the committee "agreed that a significant portion of Gaming revenues should be expended for infrastructure purposes".

Senate Bill No. 574 proposes to make this solution a reality by creating the Kansas Partnership Fund. The following information is a brief outline of how the Community Development Division of the Kansas Department of Commerce might administer this program.

Attachment II
Senate Eco Dev
2-16-88

Program Objective

The primary purpose of the "Kansas Partnership" program is to encourage economic development by providing financing for public infrastructure improvements that are necessary to accommodate the expansion, relocation, and attraction of businesses in Kansas. This will result in the creation of permanent, private sector jobs throughout the state.

In the proposed "Kansas Partnership" program the state will invest in the future of her communities. Set up as a revolving, low-interest loan fund, the state will also maximize the use of every dollar by reinvesting in new projects as earlier project loans are paid off.

Eligible Projects

Eligible infrastructure projects will include the new construction, reconstruction, rehabilitation, alteration, expansion, or improvement of public facilities that comprise the physical foundation for industrial and commercial activity such as:

Roads, streets, highways, and related improvements;

Storm drains;

Water treatment plants and distribution lines;

Wastewater treatment plants and collection lines;

Projects must directly result in the creation of permanent, private sector jobs. Proposed improvements to infrastructure must be necessary to serve a specific business on a specific site.

Ineligible Projects

Projects which result in an adverse economic impact to the applicant as a result of increased production and availability of goods to be sold or used in the community, or result in the increased provision of services where adequate capacity for such production or provision already exists shall be ineligible.

Applicants must explore all other federal or state infrastructure programs and document that they are ineligible for

those programs, or cannot receive the needed amount on a timely basis to be eligible for this program, or indicate that the resources of both programs will be required to complete the improvement project.

Those who have received previous loan awards must complete those projects within eighteen months to be eligible to reapply for this program.

Applicants

Eligible applicants are any city or county governing the site of the necessary improvements. Other units of government may ask their county government to make an application on their behalf.

Project Financing

"Kansas Partnership Fund" is a revolving loan fund program, offering the following funding amounts, interest rates, loan terms and repayment schedules, based on the borrower's ability to repay.

Maximum loan amount: Applicants may not have more than a total of \$2 million in program loans outstanding at any time. At least one job must be created or retained for each \$15,000 requested.

Loan Term: Not to exceed the life of the assets financed, to a maximum of 10 years.

Interest Rate: Not to exceed the most recent New York prime. Rate and term will be based on applicant's ability to repay.

Repayment: First payment will be due as coordinated with the local government's budget cycle. Payments will be made on at least a quarterly basis.

A loan review committee, appointed by the Secretary of the Department of Commerce, for this program will have the authority to set specific financing requirements for projects, and shall in extraordinary circumstances have the authority to waive current program loan term, interest rate, and repayment requirements. Repayment should not be subject to the tax lid law of the state (KSA 79-1946, 79-1947 for counties, KSA 79-5001 Et seq, 79-5021 for cities and counties).

Principal and interest repayments of loans will be deposited

in the Kansas Partnership Fund. These proceeds will be expended for additional loans.

Application Criteria

Applications must contain sufficient information to determine the following:

- Community need for economic development.
- Financial need for State assistance.
- Source of repayment of loan principal and interest.
- Applicant's existing and future debt commitments
- Community awareness of project application and absence of opposition (public hearings)
- Firm financial commitment on the part of the business benefitting from the public improvements.
- Number of jobs created by business.
- Impact of resulting business activity on the area, including anticipated new tax revenues to borrower, and availability of such revenues to repay debt.
- Control of site, including any leases, easements, covenants, or encumbrances which may affect the project.
- Ability to administer the project and to comply with State loan requirements.
- Ability to adequately fund and implement maintenance of improvements.
- Consistency with applicant's comprehensive plans.
- Compliance with applicable state laws, rules, regulations.
- Other financing options have been investigated and are not available or will not cover total project costs.

Funding Priorities

Funding priorities will be based on the following factors:

- Areas experiencing high levels of economic distress (high unemployment, high poverty rate)
- Areas facing severe local government fiscal problems.
- Areas which exhibit an active commitment to diversifying and expanding their economic base.
- Significance of job creation on area economy.
- Projects for businesses which will not result in severe adverse competitive disadvantage to an existing firm.
- Projects for businesses which produce goods or services for out of state export markets.
- Projects for businesses which will increase the flow of capital from outside the local area.

Program Administration and Implementation

Responsibilities for this program will be divided between the Kansas Department of Commerce and the Loan Review Committee. Duties of each are outlined below.

Department of Commerce

- Developing program regulations
- Developing application forms, RFPs, training manuals, loan agreement documents, and other program documents as necessary and appropriate.
- Developing additional program guidelines and projects evaluation criteria, as deemed necessary.
- Generating staff reports, including staff recommendations on projects submitted for Committee review.
- Providing eligible local agencies with technical assistance on program requirements and application preparation.
- Providing additional professional, technical, and clerical staff to the Committee as necessary to carry out the Committee's function.

- coordinating assistance from other State agencies, as required.
- Monitoring projects funded under the program
- Servicing the executed loan and grant agreements.
- Prepare and provide to the Governor and the Legislature and annual report of program activities.

Loan Review Committee

- Prepare and promulgate program regulations.
- Adopt by laws to govern the conduct of the Committee.
- Establish guidelines and rules to carry out the purposes of the program.
- Host public hearings on proposed program guidelines and regulations.
- Review applications for funding and render a final funding decision based on criteria specified in legislation and additional criteria as developed by the Committee.
- Request assistance and information from any department, division, board, commission, or other agency of the State, as needed by the Committee to carry out the purposes of the program.
- Establish firm guidelines on the Committee's ability to waive certain program requirements under "extraordinary" circumstances, if these guidelines have not been set by statute.

Testimony of S.B. 574
Infrastructure Loan Program

by

Anthony Redwood
Professor of Business and Executive Director
The Institute for Public Policy and Business Research
University of Kansas
February 16, 1988

I appreciate the opportunity to speak to you today on behalf of S.B. 574, establishing an infrastructure loan program for local governments. We strongly support this bill because of the importance of physical infrastructure for economic development. Public infrastructure improvements help facilitate the expansion of existing businesses and the attraction of new businesses, thus creating new jobs and stimulating investment in the community. Without an adequate system of physical infrastructure, establishments cannot carry out their business effectively.

In our Economic Development Study strategy and recommendations, we stressed (1) the key importance of local community efforts for fostering economic development, and (2) the key importance of having the appropriate physical infrastructure in place at the community level. We specifically recommended that the State "establish a revolving loan pool for infrastructure development available for use by communities to promote economic development." (Recommendation #35)

Kansas Inc., in its "Proposal for the Expenditure of Gaming Fund Revenues" stated that:

One of the areas where local governments are least equipped to respond quickly to opportunities for new or expanded industries lies in infrastructure improvements required to support new industrial activity.

Since infrastructure improvements are required for new or expanding

Attachment III
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industry, and since the state profits from such new or expanding industry, Kansas Inc. believes the state should be a partner in financing the improvements. In its gaming fund revenue proposal, Kansas Inc. recommended an expenditure of \$2.708 million for infrastructure loans and \$1.703 million for infrastructure grants, given \$10.8 million in gaming fund revenues; and it recommended \$8.540 million for infrastructure loans and \$4.029 for infrastructure grants if \$20.0 million were available in gaming fund revenues.

The key feature of S.B. 574 is that it creates the opportunity for any Kansas community to access loan support for infrastructure development.

While we do strongly support the bill, we do however suggest some modifications to its present form. First of all, clearer criteria need to be established for use of the loan program. Sec. 2(b) states that:

The secretary of commerce shall review and analyze all applications for loans under this section and shall develop criteria for the review and analysis of loan applications under this section.

No specific criteria are laid down; the program is left to the discretion of the Secretary of Commerce.

In our view, the legislature should provide the Secretary with broad criteria in keeping with Kansas economic development objectives. For example, the State of Indiana, in its Industrial Development Infrastructure Program, awards funds based on economic development criteria such as the likely number of jobs created, the amount of private sector investment and local government match, and whether or not the project meets the state's economic development goals.

Kansas Inc. has also recommended criteria along the above lines. In addition, Kansas Inc. has suggested, and which we fully support, that a cost/benefit analysis should be performed to measure the length of time it will take the state to recover its investment. Since resources for the fund are limited, they should be used according to the principle of the best return on the state's investment. Criteria should be established for evaluating projects, each project should be evaluated and ranked, and funds should be allocated according to the ranking until funds are exhausted.

In addition to the above-mentioned criteria, the loan program should be targetted to support new or expanding primary industry. Loan awards should be restricted to community projects which enhance Kansas' economic base, in order to make the most effective use of the funds. If funds are allocated in support of primary industries, they will also, in turn, support all other industries.

Kansas Inc. has also recommended that no loans be made for speculative ventures, i.e., where no company is ready to commit. We are less supportive of this suggestion, because often infrastructure has to be fully developed before companies will even consider a particular location. Our recommendation would be to have the Secretary give lower weighting in evaluating loan requests to speculative ventures and/or to provide loans to such ventures on a less favorable basis.

In addition to our support for the infrastructure loan program as provided for in S.B. 574, we also believe that the legislature should establish an infrastructure grant program. Some small, rural communities may have the potential, or a special opportunity, for

development and hence the need for additional infrastructure to support that development, but have too small a tax base to handle a loan, especially if a project fails. An infra-structure grant program would enable such communities to make needed infrastructure improvements.

Such a grant program should be limited to small communities. Criteria should be developed for determining which communities would qualify. Allocation of grant funds, as with the allocation of loan funds, should also be based on the criteria of supporting primary industry, providing additional jobs or income in Kansas, and a cost/benefit analysis positive for the state.

In summary, we support S.B. 574 and recommend the bill be modified to include targeting to basic industry, the specification of economic development criteria for allocation awards, evaluation based on the cost/benefit principle, and the inclusion of a limited grant program for small rural communities.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT
FEBRUARY 16, 1988
TESTIMONY BY BERNIE KOCH
WICHITA AREA CHAMBER OF COMMERCE

Mr. Chairman, members of the committee...

I'm Bernie Koch with the Wichita Area Chamber of Commerce. Thank you for the opportunity to testify on Senate Bill 574.

We support the bill. The infrastructure revolving loan fund was recommended by Kansas Inc. as a way for local governments to respond quickly to the need for infrastructure financing to help existing industry expand and new industry to start up.

There are times when an industry looking at a particular community needs a road, a sewer, or something else, and the community must be able to respond. The infrastructure revolving loan fund will allow that to happen.

Although this bill merely creates the fund and authorizes the loans, I'd like to take this opportunity to urge you to work toward adequate funding for this program, and all the programs recommended by Kansas Inc. for expenditure of gaming fund revenues.

I have a suggestion that I think will improve the bill. It has to do with what projects are eligible for the loans. The only guidelines given in the bill are on lines 66 and 67, where the language refers to projects "that support industrial or commercial activity."

You may want to tighten up that definition. A liquor store or a fast food restaurant might qualify under that broad description. With the limited funds available, I believe you would want to use money as effectively as possible, perhaps to support basic industries that create jobs and in turn create demand for goods and services that produce yet more jobs.

Thank you for your consideration. I'll be glad to attempt to answer any questions.

Attachment IV
Senate Eco Dev
2-16-88



**League
of Kansas
Municipalities**

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL/112 WEST SEVENTH ST., TOPEKA, KANSAS 66603/AREA 913-354-9565

RE: SB 574--State-Local Infrastructure Loan Program
TO: Senate Committee on Economic Development
FROM: E.A. Mosher, Executive Director
DATE: February 16, 1988

By city convention action, and by action of the League Governing Body, the League is in support of SB 574, to establish a state infrastructure loan program to cities and counties for public improvements essential to the economic development of the state and its communities. It is one of the top priority objectives of the League's 1988 legislative program.

We are also aware of the provisions in HB 2808, now in the House Committee on Appropriations, which would appropriate \$5.5 million to this fund for FY 1989, from the state economic development initiative fund. We are also aware of the provisions of SB 574 which would apparently permit supplementing this amount by bonds issued by the Kansas Development Finance Authority. While expressing appreciation for the initiation of this important new program, we simply note that the public infrastructure needs of Kansas local governments are very large--but even \$5.5 million is a beginning.

The League would be supportive of a broader-based infrastructure loan program. However, at this time, we think restricting the program to improvements which "aid the expansion, relocation and attraction of business" (line 58) and which will "directly result in the creation of private sector jobs" (lines 63:64) is probably appropriate.

We do have several amendments to propose. Some of them are correctional in nature. The provisions of the proposed New Section 3 are important, in our judgment, to make the program workable at the local level.

Finally, we call to your attention to the provisions of SB 513, which passed the Senate by a narrow margin on Thursday. This bill would provide for the temporary local financing of improvements to be later financed by state loans, as provided in this bill or in SB 472, the pollution control loan fund bill. Unless SB 513 is also passed by both houses, neither SB 574 nor SB 472 are workable at the local level, without violating the cash basis law.

Attachment II

*Senate Eco Devo
2-16-88*

SENATE BILL No. 574

By Senators Burke, Allen, Arasmith, Bogina, Bond, Daniels, Doyen, Ehrlich, Feleciano, Francisco, Gaines, Gannon, Gordon, Harder, Hayden, Hoferer, Johnston, Karr, D. Kerr, F. Kerr, Langworthy, Martin, Montgomery, Morris, Mulich, Norvell, Parrish, Reilly, Salisbury, Strick, Talkington, Thiesen, Vidricksen, Werts, Winter and Yost

2-8

0021 AN ACT relating to economic development; establishing the
0022 Kansas partnership fund; authorizing loans for certain local
0023 government infrastructure projects; prescribing powers,
0024 duties and functions relating thereto.

0025 *Be it enacted by the Legislature of the State of Kansas:*

0026 Section 1. (a) There is hereby established the Kansas part-
0027 nership fund in the state treasury. All moneys in the Kansas
0028 partnership fund shall be used for loans in accordance with
0029 section 2 and the provisions of appropriations acts. Such fund
0030 shall consist of:

0031 (1) Amounts appropriated by the legislature for the purposes
0032 of such fund;

0033 (2) the proceeds, if any, derived from the sale of bonds issued
0034 by the Kansas development finance authority for the purposes of
0035 such fund;

0036 (3) amounts of repayments made by cities and counties of
0037 loans received under this act, together with payments of interest
0038 thereon, in accordance with agreements entered into by such
0039 cities and counties and the secretary of commerce; and

0040 (4) amounts contributed or otherwise made available by any
0041 public or private entity for use in effectuating the purposes of
0042 such fund.

0043 (b) All moneys received as principal and interest payments
0044 under loan agreements entered into pursuant to section 2 shall
0045 be remitted to the state treasurer at least monthly. Upon the

0046 receipt of each such remittance, the state treasurer shall deposit
0047 the entire amount thereof in the state treasury to the credit of the
0048 Kansas partnership fund.

0049 (c) All expenditures from the Kansas partnership fund shall
0050 be made in accordance with this ~~section~~ and the provisions of act
0051 appropriations acts upon warrants of the director of accounts and
0052 reports issued pursuant to vouchers approved by the secretary of
0053 commerce or by a person designated by the secretary.

0054 Sec. 2. (a) In accordance with the provisions of this section,
0055 the secretary of commerce is hereby authorized to enter into loan
0056 agreements with cities and counties located in Kansas to provide
0057 assistance in financing public infrastructure improvement proj-
0058 ects to aid the expansion, relocation and attraction of business
0059 and to loan moneys in the infrastructure loan program fund in
0060 accordance with such agreements.

0061 (b) To be eligible for a loan under this ~~section~~, a public act
0062 infrastructure improvement project must be determined by the
0063 secretary of commerce to be a project that will directly result in
0064 the creation of private sector jobs. Eligible projects may include
0065 the construction, reconstruction, rehabilitation, alteration, ex-
0066 pansion or improvement of public facilities that support indus-
0067 trial or commercial activity including, but not limited to roads,

0068 streets, highways, storm drains, ~~waste~~ water supply treatment facilities and
0069 distribution lines, wastewater treatment facilities and collection
0070 lines and any related improvements. The secretary of commerce
0071 shall review and analyze all applications for loans under this
0072 section and shall develop criteria for the review and analysis of
0073 loan applications under this section.

0074 (c) Each loan agreement entered into under this section shall
0075 fix the terms of repayment and may provide for interest payable
0076 on the loan. Such interest, if any, may be at fixed or variable
0077 rates. The secretary of commerce may utilize the collection
0078 procedures provided in K.S.A. 75-6201 et seq., and amendments
0079 thereto, to collect delinquent loan payments by deducting the
0080 delinquent amount from payments from state agencies to the
0081 local governmental entity that is delinquent in its loan repay-
0082 ment.

All such agreements shall require the city or county to establish a dedicated source of revenue for repayment of the loans, and any interest thereon, as provided in section 3.

.83 (d) The secretary of commerce is authorized to adopt any
0084 rules and regulations the secretary deems necessary for the
0085 proper administration of this act.

0086 Sec. 2. This act shall take effect and be in force from and
0087 after its publication in the statute book.

Sec. 3. (a) The dedicated source of revenue for re-
payment of the loans, and any interest thereon, may
include service charges, benefit fees, special assessments,
property taxes, grants and donations or any other source
of revenue lawfully available to the city or county for
such purpose.

(b) Any city or county which has entered into an infra-
structure loan agreement pursuant to this act may pay
the principal and interest on such loan from the fund or
funds to which its dedicated sources of revenue is deposited,
or may transfer such moneys to its bond and interest fund
for payment of the loan, but any property taxes levied ex-
clusively for such purposes shall be deposited in its bond
and interest fund. Any property taxes levied exclusively
for repayment of the loan shall be levied in the same man-
ner as taxes are levied for the payment of general obliga-
tions of the city or county and shall not be subject to any
levy limit nor to any aggregate levy limit established under
the provisions of K.S.A. 79-5001 through 79-5037, as
amended.

(c) The amount of any loans received by a city or county
under the provisions of this act shall not be included within
any limitation on the bonded indebtedness of the city or
county.

Kansas Association of Counties

Serving Kansas Counties

212 S.W. Seventh Street, Topeka, Kansas 66603 Phone (913) 233-2271

Testimony

February 16, 1988

Re - SB 574 - State/Local Infrastructure Loan Program

To - Senate Committee on Economic Development

From - John T. Torbert, Executive Director

The Kansas Association of Counties is in support of Senate Bill 574, that would establish a state infrastructure loan program for counties and cities. We believe that the loan fund will be an added important asset in assisting with the economic development of the counties and cities in Kansas. And of course, when the cities and counties are assisted in this fashion, the state also benefits through more employment, more citizen taxpayers and a greater quality of life for our state.

The \$5.5 million suggested for the program is not a large amount, particularly when considering the needs that currently exist. But, it is a step in the right direction and does give us a tool that we don't currently have at our disposal.

Because of the limited source of funds and the great need that exists, we urge that the secretary of commerce be very careful in drafting the rules and regulations to implement the program. The primary concern here would be not spreading the money so thinly that the impact is minimal or, granting the loans to only a few very large projects. Balance will be very important here.

The language in SB 574 specifying the permissible uses of the loan monies is somewhat restrictive but again, given the limited nature of funds is probably advisable and appropriate.

I have also reviewed the amendments suggested by the League of Kansas Municipalities. We are in support of those amendments. The section 3 changes suggested are particularly important, especially the references to taxes levied for repayment of loans not being subject to the tax lid. With reappraisal fast approaching and the valuation losses experienced in some counties, this addition is an important one in protecting the state's investment.

Attachment VI

Senate Eco Dev
2-16-88

KANSAS RAILROAD ASSOCIATION

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PATRICK R. HUBBELL
SPECIAL REPRESENTATIVE-PUBLIC AFFAIRS

MICHAEL C. GERMANN, J. D.
LEGISLATIVE REPRESENTATIVE

MEMORANDUM

TO: Chairmen of the Economic Development
Committees of the Kansas Legislature

FROM: P. R. Hubbell, Special Representative - Public Affairs,
Kansas Railroad Association

SUBJECT: Establishing the Kansas Partnership Fund

DATE: February 15, 1988

Both Senate Bill No. 574 and House Bill No. 2907 would establish the Kansas Partnership Fund to assist in economic development efforts. Moneys from the fund would be loaned to Kansas cities and counties to aid in the financing of infrastructure improvement projects.

We would urge Committee consideration of the following suggested amendments:

S.B. 574:

On page 2, in line 65, following "alteration," by inserting "relocation,"; in line 67, following "roads," by inserting "railroads,"

H.B. 2907:

On page 2, in line 63, following "alteration," by inserting "relocation,"; in line 65, following "roads," by inserting "railroads,"

Attachment VII
Senate Eco Dev
2-16-88