

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

12:45 ~~xxx~~ p.m. on February 25, 1988 in room 254-E of the Capitol.

All members were present except:

Senator Alicia Salisbury - Excused
Senator Ben Vidricksen - Excused

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:

Charles Warren, Kansas Inc.
Dan Ramlow, Kansas Contractors Association

The meeting was called to order at 12:45 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.

Charles Warren, President of Kansas Inc., appeared before the Committee in support of SB 574. Mr. Warren said that a list of eligibility criteria which communities must meet in order to participate in the Kansas Partnership Fund should not be included in the bill but should be a part of the rules and regulations to be developed by the Department of Commerce. He noted that this would give the Secretary sufficient flexibility to administer the fund effectively. Mr. Warren recommended that SB 574 be modified to include the requirement of assured private sector job creation in basic industries. (See Attachment I for a copy of his statement.)

Dan Ramlow, Kansas Contractors Association, spoke in support of SB 574. (See Attachment II for a copy of his statement.) He gave Committee members copies of an Executive Summary of a 1984 Kansas Department of Economic Development survey of Kansas infrastructure needs. (Attachment III)

The Committee turned its attention to the amendments to SB 574 which were proposed by the Kansas League of Municipalities at the February 16, 1988, meeting of the Committee. (Attachment IV)

Senator Hayden moved that SB 574 be amended in line 50 by striking the word "section" and inserting in lieu thereof the word "act" and in line 61 by striking the word "section" and inserting in lieu thereof the word "act". Senator Feleciano seconded the motion. The motion carried.

Senator Feleciano moved that SB 574 be amended in line 68 by striking the word "waste" and inserting in lieu thereof the words "water supply". Senator Burke seconded the motion. The motion carried.

The Committee discussed a possible conflict with existing law in Section 1(a)(2) of SB 574. A clarifying amendment may need to be made to the bill so that the proceeds derived from the sale of bonds issued by the Kansas Development Finance Authority can be used in the Kansas Partnership Fund. The Chairman asked staff to contact Allen Bell, Kansas Development Finance Authority, to determine if he has been able to get information on whether or not an amendment is needed.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

room 254-E, Statehouse, at 12:45 ~~xxx~~ p.m. on February 25, 1988.

Senator Daniels pointed out that there is no need to include wastewater treatment facilities in the list of eligible projects for the loan fund set up in SB 574 for there are at least two other sources of funds for these facilities, one of them being SB 472.

Senator Daniels moved that SB 574 be amended in line 69 by striking the words "treatment facilities and". Senator Feleciano seconded the motion. The motion carried.

Senator Feleciano moved that SB 574 be amended in line 77 by inserting after the word "rates." the words "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." Senator Karr seconded the motion. The motion carried.

Senator David Kerr moved that SB 574 be amended by the addition of a new Section 3 as shown on page 3 of the League of Kansas Municipalities proposed amendments (Attachment IV) and by renumbering the remaining section. Senator Karr seconded the motion. The motion carried.

Staff passed out copies of a balloon version of SB 574 which contains a list of suggested criteria to be used by the Secretary of Commerce in the review and analysis of loan applications for the Kansas Partnership Fund. Staff pointed out that this suggested list was provided by the Kansas Department of Commerce (KDOC). The Chairman stated that the Committee needs to consider the policy question of whether such a criteria list should be included in SB 574 or whether the criteria should be left to the discretion of the KDOC. (See Attachment V for balloon version of SB 574.)

It was the consensus of the Committee not to include a list of criteria in SB 574.

The meeting was adjourned at 1:35 p.m. by the Chairman.

GUEST LIST

NAME

REPRESENTING

Dan Rambow	Ks. Contractors Assn.
Debbie Zabel	IPPBR, Univ. of Ks.
Charles Wimer	Kansas Inc.
Bernie Nowood	Inten
Jenn Coulter	Ks. Contractors Assn.
Bill Montgomery	KDOE
Karl Muedener	KAHZ
<i>D. Wayne Zimmerman</i>	<i>League of Ks Municipalities</i>
D. WAYNE ZIMMERMAN	KDOC
JACK MONTGOMERY	KDOC

TESTIMONY ON SENATE BILL 574
KANSAS PARTNERSHIP FUND

by

CHARLES R. WARREN
PRESIDENT, KANSAS INC.

February 25, 1988

My name is Charles R. Warren. I am President of Kansas Inc. I would like to briefly speak in support of Senate Bill 574 to establish the Kansas Partnership Fund. My comments today do not represent the opinion of the Board of Directors of Kansas Inc. The Board will meet this afternoon to discuss this proposal and other legislative issues.

S.B. 574 represents a significant step toward helping local communities in Kansas link economic development and the need for local infrastructure investments and improvements.

I would like to emphasize however that \$5.5 million is a relatively modest amount when compared to the needs that currently exist. It is extremely important that these funds be spent wisely and that they be targeted explicitly to job creation goals. The Department of Commerce shares this view.

A list of eligibility criteria have been added to the bill that relate to financial, administrative, planning and other requirements that communities must meet in order to participate in the fund. In my opinion, these criteria are sound, however, they should not be in the legislation itself, but should be a part of the rules and regulations to be developed by the Department of Commerce in order to give the Secretary sufficient flexibility to administer the fund effectively. Yet, we also must make certain that the legislation explicitly require that private sector job creation be assured as a result of the investments. I would also add that it be required that these funds be explicitly tied to private sector job creation in basic industries.

The basic industry requirement might be achieved by inserting on line 0066 the word "basic" between the words "support" and "industrial."

In summary, I support S.B. 574 and recommend the bill be modified to include the requirement of assured private sector job creation in basic industries.

Attachment I
Senate Eco Devo
2-25-88

The Kansas Contractors Association, Inc.

OFFICERS

DENIS KURTENBACH, President
Paola, Kansas

HOWARD SHERWOOD, Senior Vice President
Wichita, Kansas

STAN SCUDDER, Vice President
Newton, Kansas

BYRON R. BRAYMEN
Topeka, Kansas



316 WEST 33rd STREET P.O. BOX 5061

Topeka, Kansas 66605-0061

Phone 913-266-4152

DIRECTORS

DICK BROWN
Salina, Kansas

RANDALL HARDY
Salina, Kansas

R.H. KISTNER
Marysville, Kansas

JACK LOGAN
Emporia, Kansas

TOM RITCHIE
Wichita, Kansas

ORVILLE SPRAY, JR.
Great Bend, Kansas

CHARLIE STRYKER
Topeka, Kansas

WAYNE VAN METER
Kansas City, Missouri

GLENN R. COULTER, Manager
DANIEL W. RAMLOW, Assistant Manager
CRIS MILLARD, Office Manager
CARRIE KRUSOR, Bulletin Editor

TESTIMONY BEFORE THE SENATE ECONOMIC DEVELOPMENT COMMITTEE

February 25, 1988

Senate Bill 574

Dan Ramlow

Kansas Contractors Association

Thank you, Mr. Chairman and members of the committee. My name is Dan Ramlow and I am Assistant Manager of the Kansas Contractors Association, an organization representing more than 330 heavy/highway/utility contractors and suppliers throughout Kansas.

We are very pleased to speak this afternoon in support of Senate Bill 574, a creative bill that would establish the Kansas partnership fund and authorize loans for local government infrastructure projects.

Our association will be one of the first to recognize that Kansas' infrastructure is in dire need of repair, and we appreciate the concern and action the sponsors of this bill have taken to remedy this critical situation. Kansas infrastructure needs were outlined for the first time in 1984 by the then Kansas Department of Economic Development in a statewide survey of needs, including highways, streets, roads, bridges, water systems, sewerage systems, dams, storm drainage, airports and railroads, I have included with my written testimony a copy of the executive summary of

*Attachment II
Senate Eco Dev
2-25-88*

the KDED study for your information and perusal.

Economic development and the creation of private sector jobs benefit all Kansans. Our infrastructure repair needs were great in 1984 and they are even greater in 1988. Rehabilitation and expansion of these public facilities will benefit all Kansans. We applaud Senate Bill 574 which attempts to address both issues, the creation of jobs and the repair of our infrastructure, all for the benefit of all Kansans.

We pledge to put all of our resources behind the passage of Senate Bill 574 and we respectfully request your favorable action on the bill during committee discussion.

This ends my testimony, Mr. Chairman, and I will be happy to respond to questions.

ACKNOWLEDGEMENTS

This report represents the coordinated efforts of many people. Gratitude is extended to Glen Coulter and Dan Ramlow, Kansas Contractors Association; Bill Henry, the Kansas Engineering Society; George Barbee, Kansas Consulting Engineers; Ernie Mosher and Chris McKenzie, League of Kansas Municipalities who provided guidance on the definition and scope of the project; to the Kansas Department of Transportation, the Department of Health and Environment, the Kansas Board of Agriculture (Water Resources Division) and the Kansas Water Office for providing data, guidance in its interpretation, and review of several drafts of the report for accuracy in presentation; to Elmer Ranebaum, Kansas Rural Water Association and Nancy Brown, Kansas Association of Townships, for their assistance in gathering information from their members.

Special appreciation is extended to those city and county engineers who provided survey information on local infrastructure and to the city council/ commission members, Mayors and Chamber of Commerce presidents who provided survey information for the study.

Thank you to Carla Roth for tireless efforts in typing the numerous drafts of the report.

*"Kansas Infrastructure - Executive
Summary - Kansas Department of
Economic Development"*

Attachment III

Senate Eco Dev

2-25-88

EXECUTIVE SUMMARY

Introduction

The term "infrastructure" describes the basic network of public facilities that sustain our economy - here defined to include roads, bridges, railroads, airports, water and sanitary sewer systems, dams and storm drainage systems.

During recent years, several studies and reports have propelled the topic of infrastructure to national attention. Many of these reports have a common theme:

"Upkeep of public facilities has been neglected, and years of deferred maintenance and inadequate repair are catching up with us. Many aging facilities have reached, and others are fast approaching a point of deterioration beyond which repair is impossible -- costly replacement or abandonment are the unpalatable alternatives. Without a huge infusion of new dollars to maintain and repair 'infrastructure' and to build for the future, the economy will suffer, quality of life will be eroded, and our standard of living will decline."¹

The national infrastructure questions with relevance to Kansas are:

1. What is the current condition of public facilities?
2. Is deferred maintenance a problem?
3. Does inadequate infrastructure affect health and safety?
4. Are existing revenue sources and funding levels adequate to meet the needs of infrastructure maintenance, repair, and new construction?
5. Does inadequate infrastructure adversely affect economic development?

The Kansas Department of Economic Development (KDED) found that the information needed to answer these questions for Kansas was in many cases not readily available. Thus, the purpose of this study is to present, for the first time, a statewide overview of the major components of Kansas' infrastructure. Much of the information contained in this report was obtained from federal, state, local

¹ Pat Choate and Susan Walter, America in Ruins: Beyond the Public Works Pork Barrel.

agencies and a number of other organizations. In addition, to supplement the limited data available from secondary sources, KDED surveyed 3000 individuals in 1700 local jurisdictions during the summer of 1984 to determine the extent of "critical" infrastructure needs.

Summary of Research Findings - Infrastructure Components

Highways, Streets & Roads

Kansas has over 135,000 miles of public roads. It ranks fifth among states for total number of miles of public roads. Federal statistics on pavement conditions (1981 sampling) indicate that Kansas' more heavily traveled roads (interstates, arterials, and collectors) were among the worst in the country. Sampling statistics from 1983 indicate that pavement conditions have deteriorated even more. Information about the surface condition of local roads is sketchy, however, respondents to KDED's local road survey indicated substantial backlogs of needed sealcoating and overlay work. In addition, only 11% of the respondents indicated they were performing 100% of needed system maintenance.

KDOT statistics indicate that a substantial portion of the 10,500 mile state highways system also has multiple deficiencies with regards to current (AASHTO) design standards (lane width, shoulder type and width, and vertical and horizontal alignment, etc.) Many local roads suffer from these design deficiencies as well.

During the next 19 years it could require from \$4.5 billion to \$8.9 billion to rehabilitate or reconstruct current and future deficiencies on the heavily traveled state highways system. However, at present funding levels approximately \$3.06 billion will be spent during those 19 years. Local roads need attention, too. While not a comprehensive list of local road needs, respondent's to KDED's street and road survey indicated over \$478 million in critical projects needed during the next 5 years and inability to fund more than \$60 million for these critical projects.

Bridges

Key elements of the Kansas road system are its 25,658 bridges and many small drainage culverts. The typical bridge is designed to last about 50 years. Almost 30% of Kansas' bridges have already exceeded their life expectancy and 43% are at least 40 years old. According to Federal statistics, Kansas ranks third among states for the greatest number of structurally deficient or func-

tionally obsolete bridges. To repair or replace all deficient bridges could require as much as \$1.2 to \$2.1 billion. This estimate does not include the cost of rehabilitating or replacing thousands of deficient drainage culverts. The largest amounts of funding will be needed for bridges located on rural county roads and heavily traveled state maintained bridges. Capital outlay for bridges was approximately \$75 million during FY 1984. At this rate of investment it will require from 16 to 28 years to repair the backlog of currently deficient bridges. During that time period, many additional bridges will become deficient.

Water Systems

Kansas' water system infrastructure is essentially in place with 1,085 public water systems servicing almost 90% of the state's year-round housing units. While the condition and quality of service of most facilities is generally good, problems do exist. Many systems currently, or in the near future, face shortages of good quality water, particularly during drought conditions. The data available on facility condition indicates that insufficient storage, limited treatment capabilities, and aging and leaky distribution systems are problems suffered by numerous public water systems. In addition, data suggests that while there has been a trend for increased capital outlays for water systems, this public investment is, in many cases, not being adequately operated and maintained.

While not a complete list of public water system needs, KDED's water survey results indicate a need for over \$178 million in critical water system projects over the next five years. Many of those projects are for new supply and storage facilities and rehabilitation of aging water mains. Respondents indicated that they plan to fund most of these projects with current revenues, bonds, and reserve funds. Overall, less than \$4 million in projects would remain unfunded. However, Rural Water Districts (RWD's) and many smaller cities in lower income areas anticipate relying heavily on dwindling federal grants and loans as sources of funds. Preliminary analysis of water service charges indicates they are substantially higher than sewer service charges. Many systems could raise additional capital through increased user rates, while other systems are reaching the limit of their consumers' ability to pay. Many smaller water systems may have trouble funding needed improvements from local sources because the costs of construction, operation and maintenance are levied on relatively few customers.

Sewerage Systems

Kansas' public sanitary sewerage infrastructure now provides service to over 80% of the state's year-round housing units. During the last decade increased capital outlays for sanitary sewer systems have resulted in significant reductions in municipal sewage pollution. However, problems do exist. The limited data available on facility condition indicate that aging and leaky collection systems, limited treatment capabilities, and inadequate operation and maintenance practices are, or soon will be, problems for many systems. An issue facing Kansas Development of Health and Environment officials is the degree of treatment needed for discharge to urban streams and small streams with low water flows.

Even though it is not a complete list of sanitary sewer system needs, the Federal Environmental Protection Agency's (EPA) 1984 Preliminary Needs Survey indicates between \$400 and \$800 million in needed projects. Recent capital outlay for sanitary sewer systems has been \$30-\$50 million per year. At this rate of investment it could require 10 to 20 years to complete currently needed projects.

Many communities will be relying on EPA sewer construction grant funding which is currently over \$22 million per year (substantially less than mid to late 1970's funding levels.) Local matching requirements recently increased from 25% to 45%. Preliminary analysis of sewer service charges indicates that if federal construction grant funding is reduced or eliminated many communities are in a position to increase service charges to raise needed capital. Similar to water systems financing, however, many smaller systems may have difficulty funding needed improvements from local sources because the costs of construction, operation and maintenance are levied on relatively few customers.

Dams & Storm Drainage

With 5000 dams, Kansas ranks second among the states for total number of dams. Federal statistics indicate 4,545 of these dams have a low hazard potential and were not inspected under the National Dam Inspection Program. One hundred eighty dams of high or significant hazard (failure of these dams could cause loss of life and significant property damage) were inspected in 1982. Thirty were evaluated as unsafe; all contained non-emergency defects (28 contained inadequate spillways and 2 had unstable structures). Remedial measures have been taken on several of the dams. Cost estimates for repairing the other unsafe dams are available. A comprehensive description of the need for

additional dams is not available but is addressed in various elements of the Kansas water plan.

KDED survey results indicate that inadequate storm drainage facilities are perceived as a major problem in a number of communities. There is very little data concerning the condition of or need for storm drainage facilities. The 1982 EPA Needs Survey identified \$1.043 billion in currently needed projects to control storm water runoff, an estimate based on generalized cost curves rather than actual engineering studies. Kansas Department of Health and Environment (KDHE) officials consider actual needs to be substantially less.

Airports

There are 382 Federal Aviation Administration (FAA) approved airports, with 544 runways in Kansas. Of these, 159 are public use airports of which 124 are publicly owned and 38 are privately owned. The condition of navigational equipment used for the air traffic control system is antiquated and is in need of upgrading. While runway pavement condition is generally adequate there is indication that many airports may be deferring critical runway pavement maintenance. The recent Kansas Aviations Systems Plan (Phase I) includes recommendations for upgrading 16 airports during the next ten years, and adding 15 new airports over the next ten years, while Federal Airport Improvement Program Funding remains high. Phase II, when completed, will derive cost estimates for these airport projects. The state of Kansas is one of the few which doesn't provide state funding for airport capital improvements or maintenance.

Railroads

Kansas' rail line system, third largest in the nation with 7,117 miles, is 90-100 years old, and has been maintained relatively well. Indicators of rail system condition include (1) federally-approved railroad speeds and (2) lines identified for possible abandonment. In Kansas, 25% of the rail lines are restricted to 25 miles per hour or slower and 4% of the lines are identified for abandonment. The current increase in rail abandonment is occurring because of federal deregulation of railroads and the high cost to the private sector of maintaining and reconstructing low-use lines. An estimated \$12 million to \$21 million would be needed to rehabilitate the 290 miles of rail line scheduled for abandonment by the private sector.

Conclusions

1. Kansas is a national leader in providing essential services through its vast network of infrastructure facilities. Kansas has over 135,000 miles of public road, (fifth in the nation among states), over 25,000 bridges (fourth in the nation), 7,117 miles of rail line (third in the nation), 5,000 dams (second in the nation) and 382 airports. The 1085 public water systems provide service to almost 90% of the state's year-round housing units, while public sewage systems provide service to almost 80% of year-round housing units.
2. Infrastructure is an integral part of the Kansas economy and must provide safe and efficient service to residential, commercial and industrial users. In addition to patented treats to Kansan's health and safety, inadequate infrastructure has many undesirable effects on the economy, including hampering potential economic development.
3. Preliminary information generated from this study indicate that many facilities in Kansas may be inadequate. Generally, in terms of dollar needs for projects, the largest infrastructure problems for Kansas are roads and bridges. In fact, inadequate bridges may be the State's most serious infrastructure problem. These findings are similar to those found in the recently completed report "Hard Choices", prepared for the Joint Economic Committee of the United States Congress. However, it is somewhat difficult to make direct comparisons between the various infrastructure components because of the varying methodologies used to identify facility condition, needs, and funding. One of the largest technical problems facing this and similar studies is the lack of consistent facility condition and needs data. This is particularly true for public water systems, local roads, and storm drainage. Thus the actual need for these systems could be very substantial.
4. There is a strong indication that the public's multi-billion dollar investment in infrastructure is not being adequately protected through proper maintenance. Inadequate funding as well as improper management are the major reasons for deferring maintenance. Preventive maintenance is extremely cost effective when compared with the cost of facility reconstruction and replacement.

5. The debate over the role of Federal and State design standards and regulations at all levels of government continues. Many local officials have expressed concern that excessive standards and regulations can significantly increase project costs, particularly for roads and bridges. This issue needs to be addressed more fully.

6. If an infrastructure crisis exists, it is for those facilities where needs outweigh the ability to finance renovation.
 - a. In dollar terms, roads and bridges show the greatest gap between needed facilities and current or anticipated funding levels. Even with increased revenues, deferred maintenance has created a backlog of needed road and bridge repair projects. Generally smaller jurisdictions with insufficient tax bases may have the most trouble funding needed projects.

 - b. There is evidence that a number of financial issues are already affecting many local jurisdictions' ability to maintain and renovate facilities including: reductions or possible elimination of federal grant and loan programs, statutory restrictions (including bonded debt limits, mill levy limits, and restrictions on financial procedures), small jurisdictions' inability to enter the debt market, changes in federal tax law (such as removal of the tax-exempt status of G.O. bonds), lack of proper planning (i.e. capital improvements programming and budgeting), etc.

 - c. Although the information is incomplete for a total estimate of infrastructure need, over the next five to ten years, compiled data alone indicate a need of at least \$8 to \$13.5 billion for Kansas' highways, streets, roads, bridges, water systems, sewerage systems, dams, storm drainage systems, airports, and rail lines. An estimate of funding shortfalls for these needs is in a range of \$3.5 to \$7.5 billion.

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

Attachment III

Attachment IV
Senate Eco Dev
2-25-88

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~~ treatment facilities and water supply
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.

3 (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. 3. 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.

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

Attachment I

Attachment II
Senate Leo Duro
2-25-88

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
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
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 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.

Such criteria shall take into consideration, but shall not
be limited to, the following factors:

- (1) Community need for economic development;
- (2) financial need for state assistance;
- (3) source of repayment of loan principal and interest;
- (4) applicant's existing and future debt commitments;
- (5) community awareness of project application and absence
of opposition;
- (6) whether there is a firm financial commitment on the
part of the business benefitting from the public improvements;
- (7) number of jobs created by business;
- (8) anticipated new tax revenues to the borrower and
availability of such revenues to repay debt;
- (9) control of site, including any leases, easements,
covenants or encumbrances which may affect the project;
- (10) ability to administer the project and to comply with
state loan requirements;
- (11) ability to adequately fund and implement maintenance
of improvements;
- (12) consistency with applicant's comprehensive plans;
- (13) compliance with applicable state laws, rules and
regulations; and
- (14) other available financing options.

0083 (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. 3. This act shall take effect and be in force from and
0087 after its publication in the statute book.