

Approved March 27 1990
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Elizabeth Baker at
Chairperson

3:40 ~~am~~/p.m. on Wednesday, March 21, 1990 in room 423-S of the Capitol.

All members were present except: Representatives Barkis, Brady, Aylward, Kline and Russell. Excused.

Committee staff present:

Jim Wilson, Revisor
Lynne Holt, Research
Elaine Johnson, Secretary

Conferees appearing before the committee:

Marianne Hudson, Kansas Technology Enterprise Corporation
Jack Montgomery, Department of Commerce
Kim C. Dewey, Sedgwick County Manager
Ernie Mosher, Executive Director, League of Kansas Municipalities

The meeting was called to order by Chairperson Baker at 3:40 p.m.

Representative Baker opened the hearing on SB 644 and recognized Marianne Hudson of Kansas Technology Enterprise Corporation.

Ms. Hudson testified in support of SB 644. She stated that KTEC is currently required to hold yearly evaluations of the Centers of Excellence by outside experts. Each of the centers has had two peer reviews. In general, the reviews have been quite favorable. The peer reviews were very important for centers during their formative years, however, they have been time-consuming for the centers and KTEC staff. Estimated cost of reviews of the centers is a total of \$10,000. If this bill is passed, KTEC will initiate external reviews of the centers in odd-numbered years and carry out internal reviews in even-numbered years before making funding awards. The bill will save \$18,000 to \$23,000 in reviewer consulting and travel fees every two years. The bill will also allow the centers to concentrate on operating their programs rather than preparing for time-consuming evaluations so that the total savings, including lost staff time could equal \$32,000. Attachment 1.

Ms. Hudson responded to questions from the committee.

Representative Baker closed the hearing on SB 644.

Representative Reinhardt made a motion that SB 644 be passed favorably. Representative Samuelson seconded the motion. Representative Dean made a sub-motion to conceptually amend the bill to subject centers (now there are two) to an external peer review for 3 years. There was no second. The centers would be subject to an external peer review every other year and to internal reviews between years of external review. There was consensus by the committee to follow Representative Dean's suggestion. Representative Reinhardt withdrew his motion and Representative Samuelson withdrew her second. Staff has been instructed to prepare a balloon.

Representative Weimer opened the hearing on SB 667 and recognized Jack Montgomery of the Department of Commerce.

Mr. Montgomery testified in support of SB 667. Mr. Montgomery stated that in late 1989, Congress extended the authority to issue tax-exempt Private Activity Bonds through September 30, 1990. As a result of this extension, SB 667 was introduced to amend the Kansas Private Activity Bond Allocation Act to conform to the extended sunset on tax-exempt Private Activity Bonds. The amendments included in the bill will change the reservation dates for 1990 from October 15 to June 1. The Department of Commerce also recommended two additional amendments to the bill. Attachment 2.

Mr. Montgomery responded to questions from the committee.

Representative Weimer closed the hearing on SB 667.

Representative Baker called for discussion on SB 667.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,
room 423-S, Statehouse, at 3:40 ~~xxx~~/p.m. on Wednesday, March 21, 1990.

Representative Chronister made a motion to amend both sections of SB 667 as requested by the Department of Commerce. Representative Reinhardt seconded the motion. Motion carried.

Representative Chronister made a motion to pass SB 667 favorably, as amended. Representative Weimer seconded the motion. Motion carried.

Representative Baker opened the hearing on HB 3089 and recognized Kim Dewey, Sedgwick County Manager.

Mr. Dewey testified in support of HB 3089. He stated that it parallels practically word for word Sedgwick County Home Rule Resolution 45-1988 which was adopted by the Board of County Commissioners in 1988 to provide a modern, rational method of providing for capital improvements and assessing up to 95% of the costs to property owners specially benefited. The Home Rule Resolution was adopted in order to carry out the provisions of the lease which had been negotiated with the developers of the Wichita Greyhound Park. Under this lease agreement, the developers agreed to pay one half of the cost of a new Interchange at I-135 and 77th Street North. The estimated \$1.5 million would be assessed against the benefited property. Without the Home Rule Resolution, the County has no other method to assess these costs. He stated that the reason they are now asking that the provisions of this Home Rule Resolution be adopted as State Law relates to a recent Kansas Supreme Court decision voiding a Douglas County Home Rule Resolution. The Court's ruling was so broad it cast a cloud over home rule powers in general, and specific home rule actions in particular. The requested legislation pertains only to Sedgwick County. Attachment 3.

Mr. Dewey responded to questions from the committee.

Mike Heim of the Legislative Research Department was also available and responded to the questions from the committee.

The next conferee was E.A. Mosher, Executive Director, League of Kansas Municipalities. He testified that the League was neither for nor against this bill and informed the committee of the reservations they do have with this particular bill. The two policy concerns they have relate to where the money comes from to pay improvement district costs not assessed against the benefitting property, and the issue of what happens when special assessments become delinquent. Mr. Mosher also expressed concern that if this bill were to pass, other counties will be here next year asking for the same authority. Attachment 4.

Mr. Mosher responded to questions from the committee.

Representative Baker closed the hearing on HB 3089.

The meeting adjourned at 4:50 p.m.

Elizabeth Baker

TESTIMONY TO THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT
MARCH 21, 1990

SENATE BILL 644

MARIANNE HUDSON
KANSAS TECHNOLOGY ENTERPRISE CORPORATION

The Kansas Technology Enterprise Corporation (KTEC) supports Senate Bill 644. The bill will allow KTEC to carry out peer reviews of its Centers of Excellence every two years rather than once each year. It will also authorize KTEC's Board of Directors to allocate funding to the centers after an internal evaluation in the years between peer reviews.

Background

Currently, KTEC is required to hold yearly evaluations of the Centers of Excellence by outside experts. The external reviews are designed to assess the centers' progress in meeting KTEC's goals and to make suggestions for improvement. The reports, prepared by a panel of technical, management and technology transfer experts, help KTEC's Board of Directors make funding allocation decisions.

Each of the centers has had two peer reviews. In general, the reviews have been quite favorable. What KTEC has found is that the peer reviews were very important for centers during their formative years. However, they have been time-consuming for the centers and KTEC staff. Centers have had to pull staff away from service projects for client businesses in order to prepare reports and presentations for the external peer reviewers. We estimate that the reviews cost the centers a total of \$10,000, including proposal preparation and lost staff time.

Now that the centers are more mature and are successfully meeting the state's goals, the centers require less outside evaluation. KTEC's staff and board maintain close contact with each center and regularly monitor their progress through reports visits and discussions with industrial clients.

Impact of Senate Bill 644

If the bill is passed, KTEC will initiate external reviews of the centers in odd-numbered years and carry out internal reviews in even-numbered years before making funding awards. The bill will save \$18,000 to \$23,000 in reviewer consulting and travel fees every two years. KTEC would like to redirect those savings to center operations. The bill will also allow the centers to concentrate on operating their programs rather than preparing for time-consuming evaluations. Total savings, including lost staff time, could equal \$32,000.

The combination of close KTEC contact and biennial peer reviews should effectively ensure the success of the Centers of Excellence. We appreciate your consideration of the bill.

House Eco. Devo. Committee

Attachment 1

3/21/90

**TESTIMONY ON
SENATE BILL NO. 667**

In late 1989, Congress extended the authority to issue tax-exempt Private Activity Bonds through September 30, 1990. As a result of this extension, Senate Bill No. 667 was introduced to amend the Kansas Private Activity Bond Allocation Act to conform to the extended sunset on tax-exempt Private Activity Bonds.

The state's allocation formula reserves specified amounts for specific types of private activity bonds:

- \$25 million for qualified small issue bonds;
- \$ 5 million for qualified student loan bonds; and
- \$ 5 million for private activity portion of bonds issued by governmental issuers.

Normally, these reservations would be available until October 15 of each year. However, the federal authority to issue these types of bonds expires on September 30. The amendments included in S.B. 667 will change the reservation dates for 1990 from October 15 to June 1.

We also recommend one additional technical correction with respect to paragraph (d) in Section 1 and New Section 2. This paragraph which concerns automatic approval for allocation applications of \$5 million or less was intended to apply only to qualified small issue bonds. We suggest that this be stipulated by insertion of the words "for qualified small issue bonds" so that the first sentence reads "Subject to the provisions of subsection (b), the secretary shall approve each properly filed application for an allocation for qualified

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small issue bonds of \$5,000,000 or less on the basis of the chronological order of receipt of applications."

The amendments offered in S.B. 667 would allow the issuers of private activity bonds to take full advantage of the federal limitation placed on the state for this type of bond financing. If demand is not sufficient for the reserved portion of the state volume limitation, the changing of the dates will allow allocations for other eligible uses of private activity bonds before the federal sunset provision takes effect. For this reason, the Department of Commerce supports the passage of S.B. 667, as amended.

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TESTIMONY OF KIM C. DEWEY
SEDGWICK COUNTY MANAGER

HB 3089
HOUSE ECONOMIC DEVELOPMENT COMMITTEE
MARCH 21, 1990

HB 3089 parallels practically word for word Sedgwick County Home Rule Resolution 45-1988 which was adopted by the Board of County Commissioners to provide a modern, rational method of providing for capital improvements and assessing up to 95% of the costs to property owners specially benefited. The Home Rule Resolution was adopted in order to carry out the provisions of the lease which had been negotiated with the developers of the Wichita Greyhound Park. Under this lease agreement, the developers agreed to pay one half (1/2) of the cost of a new Interchange at I-135 and 77th Street North. The estimated \$1.5 Million would be assessed against the benefited property. Without the Home Rule Resolution, the County has no other method to assess these costs.

The Home Rule Resolution was modeled after the Chapter 12 improvement laws which cities have used for many years. This set of laws, commonly called the "Chesney Laws", named after Lester Chesney a former League Attorney and City of Wichita Counsel, were adopted in 1957 to pull together various improvement statutes and provide a rational method of making improvements.

The reason we are now asking that the provisions of this Home Rule Resolution be adopted as State Law relates to a recent Kansas Supreme Court decision voiding a Douglas County Home Rule Resolution. The Douglas County Home Rule Resolution related to the construction of the bypass around Lawrence. It was not similar to the Sedgwick County Resolution, but the Court's ruling was so broad it cast a cloud over home rule powers in general, and specific home rule actions in particular.

Sedgwick County and several other counties and cities entered into a motion for rehearing on the Douglas County ruling. This motion has been granted and during a pre-hearing

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conference, Justice Herd indicated there was a good possibility of substantial modification to the Douglas County ruling. We hesitated to pursue this matter with the Legislature in the hope that an expeditious rehearing might be granted. It now appears that the rehearing may not take place until May, past the date of adjournment. Obviously, this would seriously limit our options should the rehearing not result in a lifting of the cloud over our resolution. Without either a clear Home Rule Resolution, or a statutory basis for assessing the cost of the Interchange to the developers, the County at-large will have to bear the entire cost of the Interchange improvement.

The requested legislation pertains only to Sedgwick County. It was a significant piece of Home Rule Legislation when it was adopted in 1988 and would be a significant piece of legislation as it pertains to development in Sedgwick County.

We appreciate your thoughtful consideration and assistance in this matter.

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**League
of Kansas
Municipalities**

**Municipal
Legislative
Testimony**

An Instrumentality of Its Member Cities. 112 West Seventh Street, Topeka, Kansas 66603 913-354-9565 Fax 354-4186

To: House Committee on Economic Development
From: E.A. Mosher, Executive Director
Re: HB 3089--Special Assessments in Sedgwick County
Date: March 21, 1990

The League does not have a position on HB 3089. In addition to the fact that it was just printed, we normally do not take a position on a bill which affects only a single local unit of government. However, we do want to raise a few policy questions, since the bill affects the taxation of property within the 20 cities of Sedgwick county. Further, in the past, the League has opposed bills which would permit a county to levy countywide property taxes to subsidize public improvements in an improvement district in an unincorporated area.

We are somewhat familiar with the provisions of HB 3089, since it is very similar to the general improvement, special assessment law applicable to cities, found in Article 6a of K.S.A. Chapter 12. Further, we note that HB 3089 appears substantially identical to Sedgwick County Resolution No. 45-1988, approved by the Sedgwick county board on March 8, 1988.

The two policy concerns we have relate to where the money comes from to pay improvement district costs not assessed against the benefiting property, and the issue of what happens when special assessments become delinquent.

Section 7 on page 5 permits the county to pay such costs of the improvement as the county board may determine, but not more than 95% of the total. As an example, assume a subdivider wants to establish a new housing development in an unincorporated area with proposed street, sewer and other public improvements costing \$1 million. Of the total, \$950,000 could be paid by the county, with only \$50,000 or 5% special assessed against property in the Improvement district. The question arises as to where the \$950,000 comes from? Presumably, property taxes would be levied countywide, on farmland and on property within cities, to pay the county's share.

It should be noted that city taxpayers now often do pay for a share of the cost of some public improvements being special assessed pursuant to K.S.A. 12-6a01 et seq. This is common, for example, when a portion of a major arterial street improvement is only partially special assessed against benefiting property. There is a difference, however, between sharing the cost of a portion of an improvement citywide, and splitting the cost countywide, with taxes levied on all property within every city and township of the county.

The other policy concern we have is what happens when the benefiting property becomes delinquent in its special assessments. As you probably know, this has been a problem in a number of cities. Since the principal and interest on the bonds issued to finance the project must be paid, city at-large property taxes are levied to pay the amount assessed to, but not paid by, the benefiting property. While subsection (d) on page 8 provides for

President: Irene B. French, Mayor, Merriam * Vice President: Frances J. Garcia, Mayor, Hutchinson * Directors: Ed Ellert, Mayor, Overland Park * Harry Felker, Mayor, Topeka * Greg Ferris, Councilmember, Wichita * Idella Frickey, Mayor, Oberlin * William J. Goering, City Clerk/Administrator, McPherson * Judith C. Hollneworth, Mayor, Humboldt * Jesse Jackson, Mayor, Chanute * Stan Martin, City Attorney, Abilene * Richard U. Nienstedt, City Manager, Concordia * Judy M. Sargent, City Manager, Russell * Joseph E. Steineger, Mayor, Kansas City * Bonnie Talley, Mayor, Garden City * Executive Director: E.A. Mosher

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financing the special assessment share from "limited obligation bonds", we interpret this to mean that the bond payments, when the special assessment revenue is inadequate, may become an ultimate obligation of the county at large. Our interpretation may be wrong. I assure you that city taxpayers object to bailing out the owners of property delinquent in special assessments. I suspect county taxpayers may be even more vehement in their opposition, especially if they live in an area remote from the improvement, or own property within a city.

There may well be fact situations where the thrust of HB 3089 makes sense, where the proposed improvement is of general countywide benefit, with a special benefit for a defined district. This could be true, for example, as to a major highway improvement. In that event, it may be appropriate to deal directly with this kind of fact situation, rather than use a broad general bill like HB 3089, which covers nearly every kind of public works or improvement one can think of (See section 2 on page 2).