

Approved April 26, 1991
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Representative Diane Gjerstad at
Chairperson

3:35 ~~a.m.~~/p.m. on Tuesday, March 5, 1991 in room 423-S of the Capitol.

All members were present except:

Representatives Baker, Dean, Edlund, Wagnon and Wisdom. Excused.

Committee staff present:

Lynne Holt, Research
Jim Wilson, Revisor
Betty Manning, Secretary

Conferees appearing before the committee:

Karl Mueldener, Director, Bureau of Water, Health and Environment
Joe L. Norton, Attorney, Stinson, Mag & Fizzell, Wichita
Dr. Charles Krider, Asst. Dean of Business, University of Kansas
Dan Phelan, Ph.D., Johnson County Community College
Kevin Robertson, Director of Governmental Affairs, KAAVTS
Charles Warren, President, Kansas, Inc.

Chairperson Gjerstad called the meeting to order at 3:35 p.m.

The minutes of February 6, February 13 and February 14, 1991 were approved.

The Chair opened hearings on H.B. 2493 concerning the Kansas water pollution control revolving fund. The Chair welcomed Karl Mueldener, director of the Bureau of Water. Mr. Mueldener explained the need to correct a technical amendment to an existing statute. The amendment would amend the existing law governing loans to local units of government for the construction of wastewater treatment plants. It would also clarify that loan proceeds should be treated as bond funds. Attachment 1.

The next conferee, Mr. Joe L. Norton, bond counsel to the Kansas Department of Health and Environment, explained the financing of water pollution control facilities. Attachment 2.

Chairperson Gjerstad closed the hearings on H.B. 2493.

Hearings were opened on H.B. 2536 which establishes a new training program for the State of Kansas. Dr. Charles Krider, Assistant Dean of Business at the University of Kansas gave an overview of the workforce training study which Kansas, Inc. commissioned I.P.P.B.R. to conduct examining the skill requirements of Kansas employers. Two major areas were studied. The area where skill gaps occur are not just in technical skills but also in basic skills, including communication, problem solving, reading, mathematic computation and the ability to work as a team. The second half of the study concentrated on community colleges and AVTS's programs, their assessment, and how to better serve the training needs of Kansas employers.

The basic conclusion of the study was that community colleges and AVTS's are interested in moving more aggressively in the area of customized training and providing training for adults in the workforce who need to upgrade skills. The study noted many employers have no relationship with community colleges or AVTS's, and have never been contacted by a training institution or had their training needs assessed.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,
room 423-S Statehouse, at 3:35 ~~xxx~~ p.m. on Tuesday, March 5, 1991

The Chair then recognized Jim Wilson, Revisor, who distributed the proposed substitute bill for H.B. 2536. He gave detailed explanation of the substitute bill to the committee members outlining all the changes. Attachment 3.

Laura Nicholl, Secretary, Department of Commerce, endorsed the passage of this bill. Secretary Nicholl believes the SKILL program provides an investment in Kansas. Attachment 4.

The Chair welcomed Dan Phelan, Ph.D., executive director, business and industry institute, Johnson County Community College. Dr. Phelan explained the Iowa employee training program that went into effect in 1983. He outlined the comparative differences of the Iowa and Missouri programs with the proposed Kansas SKILL program. From an economic development viewpoint, this program is critical to the economic well-being of the state and does not represent a direct cost to the state. Attachment 5.

Kevin Robertson, Director of Governmental Affairs, KAAVTS, testified in support of this legislation which would create a stable funding mechanism for AVTS's and community colleges to meet the rapidly changing training needs of business and industry. Attachment 6.

Final proponent was Charles Warren, President, Kansas, Inc. Mr. Warren distributed "Skill Program Procedures" showing new jobs created by the third wave philosophy. Attachment 7. Also distributed was a chart showing computations based on 2½ percent of gross wages and depending on salary of the job, the training funds being larger or smaller. Attachment 8.

No one appeared in opposition to the bill.

Chairperson Gjerstad closed the hearings on H.B. 2536.

Representative Chronister made a motion to adopt the substitute bill 2536. Seconded by Representative Sader. Motion carried.

The meeting was adjourned at 5:15 p.m.

: March 5, 1991

GUEST REGISTER

HOUSE

Committee on Economic Development

NAME	ORGANIZATION	ADDRESS
Mary Birch	O.P. Chamber	O.P.
DAVE KING	UNITED TELCOM	WESTWOOD
Betty Anastasio	Johnson City Com. College	Overland Park, KS
Don Phelan	Johnson Co. Comm. College	Overland Park, KS
JERRY RUSSELL	UNITED TEL.	TOPEKA, KS
Charles Wynn	Kansas Trca.	Topeka
John Parks	KDOR	"
WALT DARLING	KS DIVISION OF BUDGET	Topeka
JW Bowser	United Tel	Junction City
Paula Fuenkren	League of KS Municipalities	Topeka
Bill Roche	United Telephone	Overland Park, KS
JOE WELTON	Stina May-Pogue	Weld, KA
Karl Mueddamer	KDME	Topeka
Rod Gansler	KDHF	Topeka
Greg Foss	Overland Park Chamber	O.P.
Tom Riedersack	Lenoxa Chamber	Lenoxa
Donna Avery	Ark City Chamber	Box 795 Ark City 67005
Vivian Hay	Wellington Chamber	207 S. Washington Wellington 67152

March 5, 1991

GUEST REGISTER

HOUSE

Committee on Economic Development

NAME

ORGANIZATION

ADDRESS

Bill Loyas Ks Dept Human Resources Topeka

Armand Capolongo Ks Dept of Human Res Topeka

M. Stottemia K Dept. Health & Enviro Topeka

Kevin Robertson Ks AVTS Topeka

Jo Ann Hanna KSDOE Topeka

Merle Hill KACC "

Jamie Schwartz United Telecom "

Les Meredith " Overland Park

Testimony presented to
House Committee on Economic Development

by

The Kansas Department of Health and Environment

House Bill 2493

H.B. 2493 will provide technical correction to the existing Kansas Water Pollution Control Revolving Fund enabling legislation. KDHE supports the bill.

The Kansas Water Pollution Control Revolving Fund (Fund) was established to receive Capitalization Grants from the Environmental Protection Agency under the Clean Water Act. States match the federal dollars with a minimum 20% "state match." The total amount in the fund is then used for low interest loans to municipalities for water pollution control projects. Projects can include municipal wastewater treatment plants and collection systems.

The Fund was established by statute in 1989. To provide the necessary 20% "State Match", KDHE pursued the option of issuing revenue bonds with the Kansas Development Finance Authority. In developing the necessary program and revenue bonding effort, KDHE and KDFA also employed financial advisors and bond counsel.

The Fund was developed considering existing municipal financing statutes, including the "Cash-Basis Law" (K.S.A. 10-1116). In our opinion, the intent of the original legislation establishing the Fund was for the loans considered the same as bonds. However, the lack of specific language stating the loan can be considered the same as a bond has raised questions regarding authority which we would like to clarify.

Presently, to get around the problem, we have been issuing several series of small temporary notes on each individual project. The overhead associated with this can be avoided if this amendment is adopted. The amendment will clarify that SRF loans are the same as bonds with respect to the cash-basis law. Therefore, the bill will greatly simplify the SRF program for municipalities. The amendment will reduce costs for KDHE and KDFA's administration of the program and the costs to locals.

The second item concerns "tax levies exempt from aggregate limitation" (K.S.A. 79-5028). The costs of water pollution control projects in general, and specifically wastewater treatment and public health protection projects have been exempt from the aggregate limitation, but this exemption was removed from all types of debt by the 1990 Legislature. We ask the exemption be reinstated for the Fund which can provide loans for only water pollution control improvements.

Testimony presented by: Karl W. Muedener, Director
Bureau of Water, Division of Environment
March 5, 1991

*Eco-Devo
Attachment #1
03-05-91*

STINSON, MAG & FIZZELL
(GILMORE & BELL)

ONE MAIN PLACE

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ONE KANSAS CITY PLACE, 40TH FLOOR
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THE MAST BUILDING
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March 5, 1991

Rep. Diane Gjerstad
Chairperson
House Committee on Economic Development
State Capitol
Topeka, KS 66612

Re: House Bill No. 2493

Dear Chairperson Gjerstad:

On Tuesday, March 5, 1991 the House Committee on Economic Development (the "Committee") will conduct a hearing on House Bill No. 2493 (the "Bill"). As Bond Counsel to the Kansas Development Finance Authority ("KDFA") and the State Department of Health and Environment ("KDHE") we have been requested to provide information to the Committee regarding the Bill.

For many years the United States Environmental Protection Agency (the "EPA") provided funds to KDHE which were in turn granted to various municipalities in the State of Kansas to assist in financing water pollution control facilities (the "facilities"). Congressional amendments to the authorizing federal act eliminated the grant program and instituted a loan program for municipalities to be administered by the states. As a result of the federal action, the Legislature adopted K.S.A. 65-3321 et seq. (the "Act") in 1988 to establish the Kansas Water Pollution Control Revolving Fund (the "SRF"). The SRF is administered by KDHE to provide funds to finance the facilities. KDFA has arranged financing for the state match funds necessary to implement the program. The Act authorizes Kansas municipalities to enter into long-term loan agreements (the "Loans") with KDHE to repay the funds advanced by KDHE. The amount of the Loans are not included within the municipalities' bonded indebtedness limitations. The Loans may be repayed from several dedicated sources of revenue, including tax levies. KDHE is also permitted to attach a municipality's share of the local ad valorem tax reduction fund to insure repayment of the Loan. Since tax revenues may be utilized to

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repay the Loans, a technical legal question has arisen with respect to treatment of the Loans for purposes of the cash-basis and aggregate tax levy limitation laws. The decision of the Kansas Supreme Court in the case of Blevins vs. Douglas County, et al. ("Blevins") also questioned a municipality's ability to utilize its home rule powers to make necessary levies to repay Loans.

The Bill proposes to amend one section of the Act (K.S.A. 65-3327 to clarify that the Loans shall be construed to be "bonds" for purposes of K.S.A. 10-1116 and 79-5028. The Bill also clarifies that any taxes levied to repay the Loan shall be levied and administered in the same as taxes levied to repay general obligations of such municipality.

The undersigned appreciates the opportunity to appear before the Committee. Should you or any other Committee members or staff have any questions concerning this matter, please feel free to contact the undersigned.

Very truly yours,

STINSON, MAG & FIZZELL

Joe L. Norton

JLN:rrb

cc KDHE
KDFA

Proposed Substitute for HOUSE BILL NO. 2536
For Consideration by Committee on Economic Development

1 AN ACT establishing the state of Kansas investments in lifelong
2 learning (SKILL) program; prescribing powers, duties and
3 functions for the secretary of commerce for the
4 implementation and administration thereof; approving
5 financing through the Kansas development finance authority;
6 prescribing certain powers, duties and functions for the
7 secretary of human resources and the secretary of revenue;
8 amending K.S.A. 79-32,105 and repealing the existing
9 section.

10 Be it enacted by the Legislature of the State of Kansas:

11 New Section 1. The provisions of sections 1 through 10 and
12 amendments thereto shall be known and may be cited as the state
13 of Kansas investments in lifelong learning act or SKILL act.

14 New Sec. 2. As used in this act:

15 (a) "Act" means the state of Kansas investments in lifelong
16 learning act or the SKILL act.

17 (b) "Agreement" means the agreement between an employer and
18 an educational institution concerning a project.

19 (c) "Bond" means a public purpose bond issued for new jobs
20 training projects by the Kansas development finance authority.

21 (d) "Date of commencement of the project" means the date of
22 the agreement.

23 (e) "Educational institution" means a community college, as
24 defined by K.S.A. 71-701 and amendments thereto, an area
25 vocational school or area vocational-technical school, as defined
26 by K.S.A. 72-4412 and amendments thereto, a university, as
27 defined by K.S.A. 72-6501 and amendments thereto, or a state
28 educational institution, as defined by K.S.A. 76-711 and
29 amendments thereto.

Eco-Devo
Attachment #3

03-05-91

1 (f) "Employee" means a person employed in a new job.

2 (g) "Employer" means a Kansas basic enterprise providing new
3 jobs in conjunction with a project.

4 (h) "Kansas basic enterprise" means any enterprise:

5 (1) Which is located or principally based in Kansas; and

6 (2) which can provide demonstrable evidence that:

7 (A) It is primarily engaged in any one or more of the Kansas
8 basic industries; or

9 (B) it is primarily engaged in the development or production
10 of goods or the provision of services for out-of-state sale; or

11 (C) it is primarily engaged in the production of goods or
12 the provision of services which will attract out-of-state buyers
13 or consumers into the state; or

14 (D) it is primarily engaged in the production of raw
15 materials, ingredients, or components for other enterprises which
16 export the majority of their products from the state; or

17 (E) it is a national or regional enterprise which is
18 primarily engaged in interstate commerce; or

19 (F) it is primarily engaged in the production of goods or
20 the provision of services which will supplant goods or services
21 which would be imported into the state; or

22 (G) it is the corporate or regional headquarters of a
23 multistate enterprise which is primarily engaged in out-of-state
24 industrial activities.

25 (i) "Kansas basic industry" means:

26 (1) Agriculture;

27 (2) mining;

28 (3) manufacturing;

29 (4) interstate transportation;

30 (5) wholesale trade which is primarily multistate in
31 activity or which has a major import supplanting effect within
32 the state;

33 (6) financial services which are provided primarily for
34 interstate or international transactions;

35 (7) business services which are provided primarily in

1 out-of-state markets;

2 (8) research and development of new products, processes, or
3 technologies; or

4 (9) tourism activities which are primarily engaged in for
5 the purpose of attracting out-of-state tourists.

6 (j) "Primarily engaged" means engagement in an activity by
7 an enterprise to the extent that not less than 51% of the gross
8 income of the enterprise is derived from such engagement.

9 (k) "New job" means a job in a new or expanding Kansas basic
10 enterprise not including jobs of recalled workers, or replacement
11 jobs or other jobs that formerly existed in the Kansas basic
12 enterprise in Kansas.

13 (l) "SKILL program" or "program" means the project or
14 projects established by educational institutions to provide
15 education and training of workers for new jobs for a new or
16 expanding Kansas basic enterprise.

17 (m) "Program costs" means all necessary and incidental costs
18 of providing program services.

19 (n) "Program services" includes, but is not limited to, the
20 following:

21 (1) New jobs training, including training development costs;

22 (2) adult basic education and job-related instruction;

23 (3) vocational and skill-assessment services and testing;

24 (4) training equipment, materials and supplies;

25 (5) administrative expenses of educational institutions for
26 new jobs training programs;

27 (6) subcontracted services with other educational
28 institutions, private colleges or universities or other federal,
29 state or local agencies; and

30 (7) contracted or professional service.

31 (o) "SKILL project" or "project" means a training
32 arrangement which is the subject of an agreement entered into
33 between the educational institution and an employer to provide
34 program services.

35 New Sec. 3. (a) The secretary of commerce shall administer

1 the provisions of this act and the SKILL program established
2 thereunder. The secretary of commerce shall encourage Kansas
3 basic enterprises with similar training needs to cooperate in
4 establishing SKILL projects. The secretary of commerce shall
5 coordinate the SKILL program with other job training programs
6 administered by the department of commerce. The secretary of
7 commerce shall provide opportunities for coordination and
8 cooperation of SKILL projects with other job training activities
9 in Kansas.

10 (b) The secretary of commerce shall adopt rules and
11 regulations prescribing review standards and priorities for
12 approval of proposed agreements under this act, including
13 appropriate incentives for cooperation among projects, in order
14 to maximize the number of new jobs created with respect to
15 individual Kansas basic enterprises and prescribing limits on
16 program costs and on project and program size in relation to the
17 number of new jobs created or the wages of new jobs created.

18 (c) The secretary of commerce may adopt such other rules and
19 regulations as may be required for the implementation and
20 administration of this act.

21 New Sec. 4. (a) Subject to the approval of the secretary of
22 commerce, an educational institution may enter into an agreement
23 to establish a project and provide program services to an
24 employer. As soon as possible after initial contact between an
25 educational institution and an employer regarding the possibility
26 of entering into an agreement, the educational institution shall
27 inform the secretary of commerce about the potential project. If
28 an agreement is entered into, the educational institution and the
29 employer shall notify the secretary of revenue with 15 calendar
30 days.

31 (b) Among other provisions, an agreement may include
32 provisions regarding:

33 (1) Payment of program costs, including deferred costs,
34 which may be paid from one or a combination of the following
35 sources:

1 (A) The new jobs training program services fund;

2 (B) tuition, student fees, or special charges fixed by the
3 educational institution to defray program costs in whole or in
4 part; and

5 (C) grants or donations available from federal agencies or
6 other public or private sources;

7 (2) a provision requiring each Kansas basic enterprise under
8 the agreement to submit information to the secretary of commerce
9 regarding the numbers of new jobs and the wages and withholding
10 taxes paid therefor; and

11 (3) a provision which fixes any tuition and fee payments
12 which shall be paid for program costs.

13 (c) Any payment required to be made by an employer shall be
14 a lien upon the employer's business property until paid and has
15 equal precedence with ordinary taxes and shall not be divested by
16 a judicial sale. Property subject to the lien may be sold for
17 sums due and delinquent at a tax sale, with the same forfeitures,
18 penalties and consequences as for the nonpayment of ordinary
19 taxes. The purchasers at tax sale obtain the property subject to
20 the remaining payments.

21 (d) The payment of program costs incurred under any
22 agreement shall not be deferred for a period longer than 10 years
23 from the date of the commencement of the project.

24 New Sec. 5. (a) The secretary of commerce shall review
25 applications for proposed agreements submitted by employers in
26 accordance with the standards and guidelines prescribed by this
27 act and by rules and regulations adopted under section 3 and
28 amendments thereto. Each application for approval of a proposed
29 agreement shall be accompanied by information about the number
30 and wages of the new jobs created by the employer and such other
31 information as may be required by the secretary of commerce.

32 (b) The secretary of commerce may pool the funding
33 requirements of projects which are the subject of proposed
34 agreements to determine the funding requirements of the SKILL
35 projects under consideration to facilitate the issuance of bonds

1 by the Kansas development finance authority.

2 New Sec. 6. (a) The secretary of commerce shall certify at
3 least once each six months to the secretary of revenue the
4 estimates of the number and wages of all new jobs that have been
5 created in Kansas since the effective date of this act.

6 (b) The secretary of commerce shall determine and from time
7 to time shall redetermine the rate at which moneys shall be
8 credited to the SKILL program repayment fund in order to satisfy
9 the bond repayment obligations under the SKILL program. The rate
10 so determined shall be certified to the secretary of revenue. The
11 rate determined under this subsection shall not exceed the rate
12 which, when applied to the moneys received under the Kansas
13 withholding and declaration of estimated tax act, K.S.A. 79-3294
14 et seq. and amendments thereto, and attributable to new jobs,
15 yields an amount equal to the amount which results when the rate
16 of 1.5% is applied to all moneys received under the Kansas
17 withholding and declaration of estimated tax act.

18 (c) Upon receipt of the rate determined and certified under
19 subsection (b), the secretary of revenue shall apply daily the
20 rate to that portion of the moneys collected under the Kansas
21 withholding and declaration of estimated tax act that are
22 attributable to new jobs created as determined by the secretary
23 of revenue in accordance with the current certification of
24 estimates of the number and wages of all new jobs created in
25 Kansas under subsection (a) by the secretary of commerce. The
26 amount so determined shall be credited to the SKILL program
27 repayment fund.

28 (d) The secretary of human resources shall provide such
29 information and estimates regarding employment, payrolls, numbers
30 of new jobs and other matters as may be requested by the
31 secretary of commerce for the purposes of the SKILL act.

32 New Sec. 7. There is hereby created in the state treasury
33 the SKILL program services fund. The secretary of commerce shall
34 administer the SKILL program services fund. All moneys credited
35 to the SKILL program services fund shall be for all or part of

1 the program costs of projects approved by the secretary of
2 commerce under this act. All expenditures from the SKILL program
3 services fund shall be for the purposes of paying program costs
4 and shall be made in accordance with appropriations acts upon
5 warrants of the director of accounts and reports issued pursuant
6 to vouchers approved by the secretary of commerce or the
7 secretary's designee. The secretary of commerce shall remit to
8 the state treasurer all moneys received under this act, including
9 the proceeds of bonds issued by the Kansas development finance
10 authority for the purposes of this act. Upon receipt of each
11 remittance the state treasurer shall deposit the entire amount in
12 the state treasury to the credit of the SKILL program services
13 fund.

14 New Sec. 8. (a) There is hereby created in the state
15 treasury the SKILL program repayment fund. The secretary of
16 commerce shall administer the SKILL program repayment fund. All
17 moneys credited to the SKILL program repayment fund shall be to
18 make payments to the Kansas development finance authority for
19 payment of costs relating to the retirement of bonds issued to
20 finance projects approved by the secretary of commerce under this
21 act, including but not limited to the principal of and interest
22 on such bonds and the expenses of issuance. All expenditures from
23 the SKILL program repayment fund shall be made in accordance with
24 appropriations acts upon warrants of the director of accounts and
25 reports issued pursuant to vouchers approved by the secretary of
26 commerce or the secretary's designee.

27 (b) On June 30 of each year, any unencumbered balance in the
28 SKILL program repayment fund which is not required for payment of
29 such expenses during the ensuing fiscal year, as certified by the
30 secretary of commerce to the director of accounts and reports,
31 shall be transferred by the director of accounts and reports from
32 the SKILL program repayment fund to the state general fund.

33 New Sec. 9. The activities of the secretary of commerce in
34 administering and performing the powers, duties and functions
35 prescribed by the provisions of this act and providing moneys for

1 SKILL programs from the proceeds of bonds issued by the Kansas
2 development finance authority are hereby approved for the
3 purposes of subsection (b) of K.S.A. 1990 Supp. 74-8905 and
4 amendments thereto and the authorization of the issuance of such
5 bonds by the Kansas development finance authority in accordance
6 with that statute. The provisions of subsection (a) of K.S.A.
7 1990 Supp. 74-8905 and amendments thereto shall not prohibit the
8 issuance of bonds for such purposes when so authorized and any
9 such issuance of bonds is exempt from the provisions of
10 subsection (a) of K.S.A. 1990 Supp. 74-8905 and amendments
11 thereto.

12 New Sec. 10. The secretary of commerce shall annually report
13 on activities under the SKILL act to the joint committee on
14 economic development prior to each November 1.

15 Sec. 11. K.S.A. 79-32,105 is hereby amended to read as
16 follows: 79-32,105. (a) The director shall pay to the treasurer
17 of the state daily the entire amount collected during the
18 preceding day, under the provisions of this act and from the
19 income tax imposed upon individuals, corporations, estates or
20 trusts pursuant to the "Kansas income tax act" less amounts
21 withheld as provided in subsection (b) and any amounts credited
22 to the SKILL program repayment fund under section 6 and
23 amendments thereto, which amounts shall be credited to the state
24 general fund.

25 (b) A revolving fund, designated as "income tax refund fund"
26 not to exceed \$4,000,000 shall be set apart and maintained by the
27 director from income tax collections, withholding tax
28 collections, and estimated tax collections and held by the state
29 treasurer for prompt payment of all income tax refunds and for
30 the payment of interest as provided in subsection (e). The fund
31 shall be in such amount, within the limit set by this section, as
32 the director determines is necessary to meet current refunding
33 requirements under this act.

34 (c) If the director discovers from the examination of the
35 return, or upon claim duly filed by the taxpayer or upon final

1 judgment of the court that the income tax, withholding tax,
2 declaration of estimated tax or any penalty or interest paid by
3 or credited to any taxpayer is in excess of the amount legally
4 due, the director shall certify to the director of accounts and
5 reports the name of the taxpayer, the amount of refund and such
6 other information as the director may require. Upon receipt of
7 such certification the director of accounts and reports shall
8 issue a warrant on the state treasurer for the payment to the
9 taxpayer out of the fund provided in subsection (b), except that
10 no refund shall be made for a sum less than \$5, but such amount
11 may be claimed by the taxpayer as a credit against the taxpayer's
12 tax liability in the taxpayer's next succeeding taxable year.

13 (d) When a resident taxpayer dies, and the director
14 determines that a refund is due the claimant not in excess of
15 \$100, the director shall certify to the director of accounts and
16 reports the name and address of the claimant entitled to the
17 refund and the amount of the refund. A refund may be made upon a
18 claim duly made on behalf of the estate of the deceased or in the
19 absence of any such claim upon a claim by a surviving spouse and
20 if none upon the claim by any heir at law. Upon receipt of such
21 certification the director of accounts and reports shall issue a
22 warrant on the state treasurer for the payment to the claimant
23 out of the fund provided in subsection (b).

24 (e) Interest shall be allowed and paid at the rate of 12%
25 per annum upon any overpayment of the income tax imposed upon
26 individuals, corporations, estates or trusts pursuant to the
27 Kansas income tax act.

28 For the purposes of this subsection:

29 (1) Any return filed before the last day prescribed for the
30 filing thereof shall be considered as filed on such last day,
31 determined without regard to any extension of time granted the
32 taxpayer;

33 (2) any tax paid by the taxpayer before the last day
34 prescribed for its payment, any income tax withheld from the
35 taxpayer during any calendar year and any amount paid by the

1 taxpayer as estimated income tax for a taxable year shall be
2 deemed to have been paid on the last day prescribed for filing
3 the return for the taxable year to which such amount constitutes
4 a credit or payment, determined without regard to any extension
5 of time granted the taxpayer;

6 (3) if any overpayment of tax results from a carryback of a
7 net operating loss or net capital loss, such overpayment shall be
8 deemed not to have been made prior to the close of the taxable
9 year in which such net operating loss or net capital loss arises.
10 For purposes of this paragraph, the return for the loss year
11 shall not be deemed to be filed before claim for such overpayment
12 is filed;

13 (4) in the case of a credit, interest shall be allowed and
14 paid from the date of the overpayment to the due date of the
15 amount against which the credit is taken, except that if any
16 overpayment of income tax is claimed as a credit against
17 estimated tax for the succeeding taxable year, such amount shall
18 be considered as a payment of the income tax for the succeeding
19 taxable year, whether or not claimed as a credit in the return of
20 estimated tax for such succeeding taxable year, and no interest
21 shall be allowed or paid in such overpayment for the taxable year
22 in which the overpayment arises;

23 (5) in the case of a tax return which is filed after the
24 last date prescribed for filing such return, determined with
25 regard to extensions, no interest shall be allowed or paid for
26 any period before the date on which the return is filed;

27 (6) in the case of a refund, interest shall be allowed and
28 paid from the date of the overpayment to a date preceding the
29 date of the refund check by not more than 30 days, as determined
30 by the director, whether or not such refund check is accepted by
31 the taxpayer after tender of such check to the taxpayer, but
32 acceptance of such check shall be without prejudice to any right
33 of the taxpayer to claim any additional overpayment and interest
34 thereon; and

35 (7) if any overpayment is refunded within two months after

1 the last date prescribed, or permitted by extension of time, for
2 filing the return of such tax, or within two months after the
3 return was filed, whichever is later, no interest shall be
4 allowed or paid. For the purposes of this section, an overpayment
5 shall be deemed to have been refunded at the time the refund
6 check in the amount of the overpayment, plus any interest due
7 thereon, is deposited in the United States mail.

8 Sec. 12. K.S.A. 79-32,105 is hereby repealed.

9 Sec. 13. This act shall take effect and be in force from and
10 after its publication in the statute book.

TESTIMONY ON HOUSE BILL NO. 2536

Presented by

Laura E. Nicholl
Secretary
Kansas Department of Commerce

March 5, 1991

Good afternoon Madame Chairman and committee members. The purpose of my testimony today is to endorse the passage of House Bill 2536. This is a unique program, and given assurances that the costs incurred do not exceed the benefits gained from the program, I enthusiastically support this legislation .

House Bill 2536 creates the State of Kansas Investments in Lifelong Learning (SKILL) program. The SKILL program allows employers to enter into agreements to establish training projects for new employees. Training project costs are financed through tax-exempt public purpose bonds issued on an as-needed basis by the Kansas Development Finance Authority. These bonds are retired through the revenue received from the deferment of no more than 1.5% of statewide employer withholding taxes.

Eligible industries include basic enterprises that are creating new jobs; excluding the jobs of recalled workers, replacement workers, or jobs that formerly existed within the industry in Kansas. Authority to negotiate a training agreement with a business is delegated to state educational institutions. These institutions include community colleges, area vocational-technical schools, and regents schools. All agreements between businesses and educational entities are

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subject to the approval of the Kansas Department of Commerce. If the agreement is approved, the agency coordinates the SKILL program with other job training programs administered by Commerce, such as the KIT and KIR programs, to avoid duplication. The agency is authorized to encourage basic enterprises with similar training needs to cooperate in establishing training projects.

Once a project is approved, the Department of Revenue checks to ensure that the total dollar value of bonds issued has not exceeded the maximum funding limit of 1.5% of total statewide withholding revenues. This final procedural safeguard guarantees that the cost of training subsidies will not exceed the new revenue that is gained for the state as a result of the new jobs.

The SKILL program would complement the KIT and KIR programs. The KIT program would continue to work with new and expanding companies with immediate training needs. These firms, particularly small businesses that cannot wait for the pooling of bond resources, may best be served by the flexibility of a "quick-start" training program such as KIT. The KIR program would continue to serve existing firms with retraining requirements as a job retention tool.

The SKILL program would increase the capacity of the state's training system beyond KIT to allow it to respond to large projects such as United Telecom's. It is, however, also designed to meet the needs of smaller employers by allowing them to participate in a bond pool with other companies and to encourage companies with similar training needs to enter into training consortiums.

In summary, if the SKILL program works as intended, Kansas' competitive position will be enhanced. Therefore, I support this legislation as long as the appropriate safeguards are implemented to ensure that the SKILL program becomes an investment in Kansas.

**EMPLOYEE TRAINING PROGRAMS IN
IOWA, MISSOURI, AND KANSAS:**

A REPORT

A TESTIMONY

PRESENTED TO:

**THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE
STATE OF KANSAS**

SESSION OF 1991

ROOM 423-S

Presented by:

Daniel J. Phelan, Ph.D.

**Executive Director, Business and Industry Institute
Johnson County Community College
12345 College at Quivira
Overland Park, Kansas 66210-1299**

Tuesday, March 5, 1991

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Attachment #5
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INTRODUCTION

Good afternoon, Madam Chairman and members of the committee. My name is Dan Phelan. I am the Executive Director of the Business and Industry Institute of Johnson County Community College in Overland Park (913-469-3857). I am responsible for the training and retraining of the business and industrial community in Johnson County, as well as providing oversight to one of the State's Small Business Development Centers.

Perhaps as equally as important, I stand before you today as a practitioner and end-user of state and federal training programs. I have been with Johnson County Community College for nine months. Prior to my arrival at the community college, I served as the Director of Economic Development at North Iowa Area Community College (NIACC), which is located in Mason City, Iowa. During my six years at NIACC I administered four state economic development programs. Perhaps the most notable of those programs was House File 623, also known as the Iowa Industrial New Jobs Training Program, which was enacted in 1983. As we now contemplate a training program for Kansas I would now like to point out some of the specifics of the Iowa program.

IOWA

Iowa's 15 community colleges administer the training program locally in their service districts. Oversight of the program is provided by the Iowa Department of Economic Development. The community colleges contact those businesses that are either expanding or are new to their service area to determine training needs. In most cases, the community college economic development directors are involved in the discovery phase of the company's location plans. The community college and the company determine potential

income streams that could be used to retire debt service from future bond sales. The source of these revenues include three areas:

1. New incremental tax as a result of building or land improvements.
2. New tax increment from the purchase of production related machinery and equipment.
3. One and one-half percent of the gross wages of each new job (withholding tax).

Based on those revenue projections over 10 years, the community college determines the actual bond issuance size through an investment banker. After establishing the issuance size, and allowing for the subtraction of the legal and issuance costs, as well as administrative fees, the balance is designated as the training fund. Before bonds are sold, however, the community college and the business work together to develop a training plan and prepare a final agreement.

The training plan specifically addresses training programs to be offered, expenditures, training program length, and anticipated training outcomes. The training fund may be used in two ways:

1. Structured classroom training, support materials, books, curricular development, video tapes, instructor costs, and transportation costs.
2. The fund may be used in an on-the-job training component.

Like the Federal JTPA Program, the OJT component is used to reimburse a portion of wages paid to each new job. Specifically, each job is analyzed by considering the dictionary of occupational titles, which specifies the training length of each job. The OJT

component carries the limitation of a one year training period. Ultimately, the OJT component provides a 50% wage reimbursement for each new job. For example, the dictionary of occupation titles may specify that a janitor requires a two month period. Consequently, the company would receive 50% of the wage for that janitor position for a period of two months. In contrast, an engineering position may require a training period of five years. In this case an OJT training contract would be written for that position not to exceed one year, again providing a 50% wage reimbursement to the company.

The OJT component is of great benefit to small companies. Generally, companies with a few number of employees do not have the capability to discontinue production while employees sit in a classroom or receive instructor-based training. Consequently, the on-the-job training component provides a practical method to provide the necessary training for the small business employee to be successful. To prevent abuse, a limitation was established by the Iowa Legislature so that no more than 50% of the total training fund can be used for the OJT component.

As a practical matter, community college economic development directors in the State get together on a regular basis to review projects, share information, and coordinate state-wide projects. In addition, the community colleges' economic development directors bear the responsibility for the distribution of training funds, project audits, annual reporting, and general project management and compliance. At the end of each fiscal year the community colleges are statutorily required to compile an annual report which is presented to the Iowa legislature. To review, the highlights of the Iowa program are:

1. The community college has the ability to sell bonds which are secured by the

college's standby tax levy authority.

2. The community colleges were chosen as the catalyst to implement the program because of their geographic distribution throughout the state and because of their relationship with the business and industrial community. It was the intent of the legislature to ensure that long after the training fund had expired, training relationships would continue between the community college and the business.
3. Training funds are generated without direct cost to the state. Bonds are sold by the community college on the basis of projected revenues from diverted property and withholding tax. At the conclusion of 10 year bond period, the property and withholding taxes divert back to normal channels.

In terms of successes, the 1990 annual report to the Iowa legislative interim study committee depicted that 529 projects have been initiated since the program's origin in 1983 with a total of \$121,895,000 in taxable and tax-exempt bonds being sold. Further, the HF 623 program has encouraged the creation of over 42,694 new jobs to the state.

The Iowa Department of Economic Development's role in program oversight include:

1. Serving as a state-wide repository of information related to the training agreement.
2. To establish administrative rules for the program.
3. Provide general marketing for the program to business within and outside of the state, as well as directing the business to the appropriate community college in the area of the state where the company is locating.

4. Provide technical assistance to the area community colleges and economic developers concerning program roles and regulations.
5. Certify that administrative procedures have been completed and that the bond attorneys proceed to sale of bonds.
6. Work with investment bankers concerning bond issues.
7. Prepare annual tax statements for the internal revenue service.

MISSOURI

Last year the Missouri 85th General Assembly enacted House Bill #1364 which establishes a new jobs training program similar to that of Iowa. However, there are a few subtle differences:

1. While the new job training program is administered through the state's community colleges, the community colleges do not have a standby levy taxing authority. Consequently, the riskiness of the bonds is somewhat higher than that of Iowa's.
2. While the Iowa new jobs training program includes both incremental property taxes as well as employee withholding tax, the Missouri program includes only new jobs withholding tax.
3. The withholding tax is 2-1/2% of the gross wages for the first 100 jobs and then lowers to 1-1/2% of the gross wages for all jobs subsequent to the first 100.

I recently spoke with my colleague, the Vice Chancellor of the St. Louis Community College District, who told me that they have yet to complete their first training agreement.

Consequently, he was unable to give me specifics about the success of the program to date. However, being a former Iowan himself, he was extremely optimistic about the future of the program.

KANSAS

As you know, last week House Bill #2536 was introduced proposing the establishment of the Kansas Investments and Life-long Learning Program or SKILLS Program. This program also carries a number of similarities to the Iowa program. I will attempt to highlight some of the similarities and dissimilarities to the Iowa and Missouri models.

1. The revenue for the retirement of bonds sold originates from 1-1/2% of the gross wages from new jobs in the State. Property tax increment is not included for debt service retirement.
2. Bonds are issued by the Kansas Development Finance Authority as opposed to the Kansas community colleges. The benefit of this arrangement is that like Missouri, Kansas community colleges do not have the authority to issue a stand-by levy tax in the event that a company becomes bankrupt. Consequently, the risk is distributed within the SKILLS Program Services Fund.
3. The SKILLS Program currently does not specify a single educational entity to administer the program from a local level. Rather, the program includes community colleges, vocational technical schools, as well as state educational institutions. This may present a coordination and administrative challenge. Experience dictates that companies prefer a single point of contact.

4. The SKILLS Program is not planned to include an on-the-job training component to provide 50% wage reimbursement for new jobs. It is my belief that an OJT component would be of great benefit to small companies. In my view, this is an important consideration since the Kansas economy is largely comprised of small business.
5. The SKILLS Program establishes both a SKILLS Program Services Fund and a SKILLS Program Repayment Fund. Further, the unencumbered balance of the SKILLS Program Repayment Fund, not required for payment of the expenses during the ensuing fiscal year, will, on June 30, be transferred to the State's general fund.

SUMMARY

I have given you a brief overview of the Iowa Industrial New Jobs Training Program, the Missouri New Jobs Training Program, and some of the larger comparative differences with the proposed Kansas SKILLS Program. From an economic development standpoint, this bill is crucial to the future economic well-being of this State. As it stands today, Kansas simply is not competitive with other states in terms of job training assistance. The benefit of this program is, like both Iowa and Missouri, it does not represent a direct cost to the State -- an opportunity cost only.

For a nation now cognizant of the need for training to remain competitive, this proposed legislation is long overdue. I view it as necessary to remain competitive in terms of attracting new business to the State, as well as promoting expansion of those companies currently within the State. This proposed legislation will service the training needs of both

the large and small company. It sends the message: "Kansas is open for Business."

I appreciate your courtesy and attentiveness this afternoon. Thank you.

KANSAS ASSOCIATION OF AREA VOCATIONAL—TECHNICAL SCHOOL

Richard Kingston
President

Keith Stover
President Elect

Robert Stinson
Secretary

Richard McWhorter
Treasurer

Date: March 5, 1991
To: House Committee on Economic Development
From: Kevin Robertson
Director of Governmental Affairs
Re: House Bill 2536

Madam chairperson and members of the committee I am Kevin Robertson, Director of Governmental Affairs for the Kansas Association of Area Vocational-Technical Schools (KAAVTS).

KAAVTS supports HB 2536.

Many of you served on the Joint Committee on Economic Development this past interim. That committee spent a majority of its time exploring ways in which AVTSS and community colleges could better meet the training needs of Kansas business and industry. There are several highly effective programs in existence in Kansas to train the states work force, including: the Kansas Industry Training/Retraining program, and the Job Training Partnership Act. The committee discovered the problem training workers in Kansas lies neither with the educational institutions doing the training, nor the training programs you, the legislature, have implemented - the problem is the lack of funding available to properly drive these institutions and programs.

HB 2536 would create a stable funding mechanism for area vocational-technical schools, community colleges, and regent's schools to meet the rapidly changing training needs of business and industry.

The Work Force Training study completed by IPPBR in late 1989 for Kansas Inc. recognizes the need of a new source of revenue to meet the needs of business and industry. The report states,

"The current funding level creates a dilemma for AVTSS who are trying to meet the training needs of business and industry in their services area. Since business and industry has a significant interest in customized training as a cost effective method of training, AVTSS should be encouraged to provide customized training. A more stable mechanism for funding is needed."

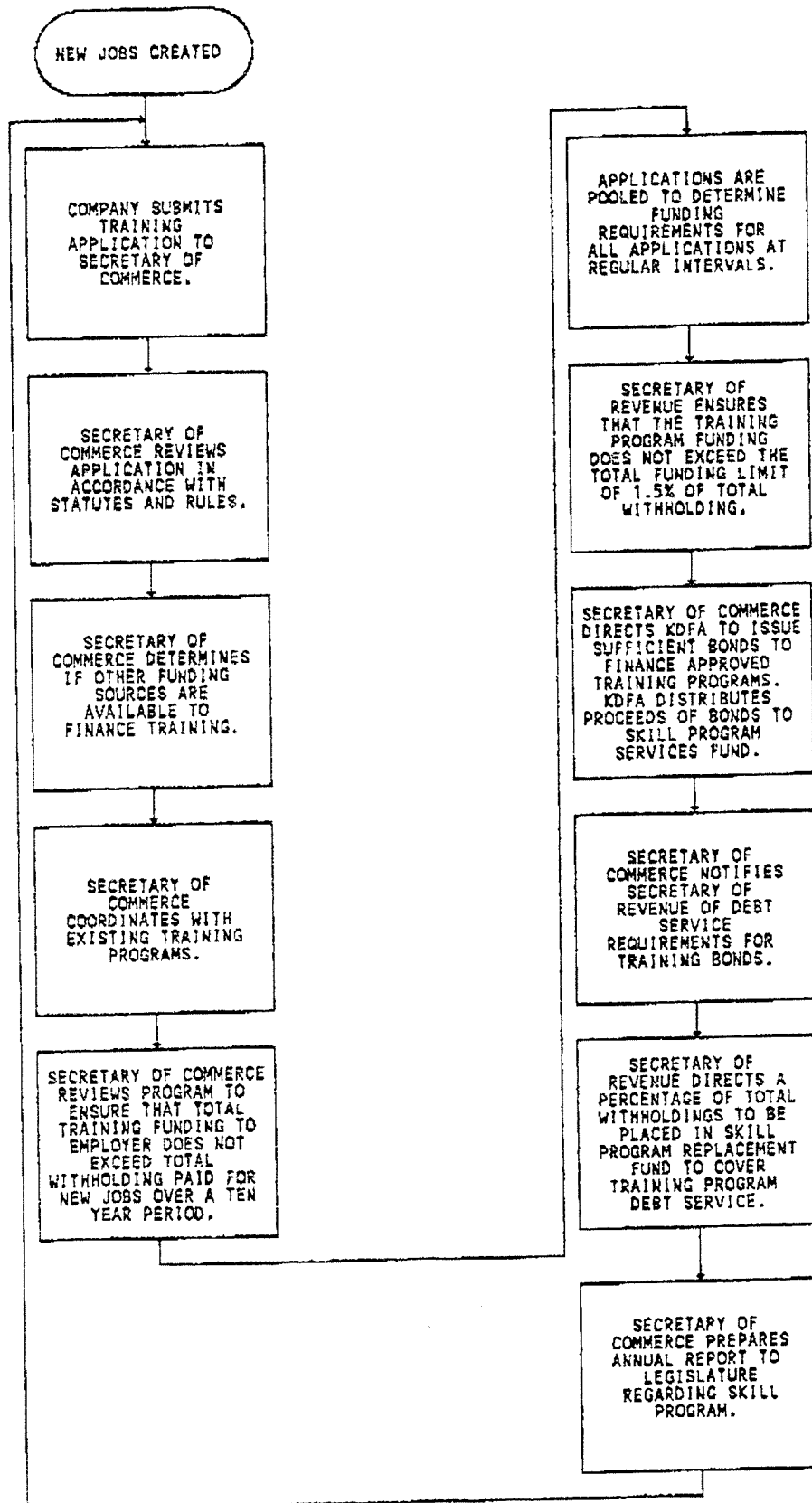
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During the 1990 legislative session, Senate Bill 698 was introduced to create a funding mechanism designed specifically to address the work force training concerns expressed in the IPPBR work force training study. SB 698 had \$1.75 million in funding to help AVTSS and community colleges train Kansas' work force. This bill never made it out of the Senate Labor and Industry Committee. The reason - state funding was not available.

HB 2536 (as I understand it) does not require state general fund money and could very well create an inexhaustible revenue source for business and industry training. HB 2536 appears to be a win - win situation that Kansas' AVTSS strongly support.

I will be happy to respond to any questions you may have.

HOUSE BILL NO. 2536
SKILL PROGRAM PROCEDURES



**EXAMPLE COMPUTATION OF TRAINING FUNDS
CREATED FOR NEW JOBS CREATED IN KANSAS**

NEW JOB ANNUAL SALARY	TRAINING FUNDS GENERATED FOR NEW JOBS @2.5% OF W/H'S	ANNUAL DEBT SERVICE FOR TEN YEARS
10,000	1,718	250
15,000	2,574	375
20,000	3,432	500
25,000	4,290	625
30,000	5,148	750
35,000	6,006	875

NOTE: Calculation uses 7.5% discount rate and assumes no annual salary escalation.

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