

Approved

March 18, 1992
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

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

3:40 ~~am~~/p.m. on Monday, February 24, 1992 in room 423-S of the Capitol.

All members were present except:

Representatives Bradford, Edlund, Samuelson, Sluiter, Wagnon. Excused.

Committee staff present:

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

Conferees appearing before the committee:

Gary Reser, Legislative Liaison, Legislative Affairs
Laura Nichol, Secretary, Kansas Department of Commerce
Dennis Shockley, Chief of Housing Development & Policy, KDOC

Chairperson Gjerstad called the meeting to order at 3:40 p.m.

During last week's testimony on **SB 484**, relating to promotion of tourism and conventions question was raised about transient guest tax, how much collected and at what point it was levied. A copy of the Kansas Department of Revenue, Transient Guest Tax tables was distributed. Attachment 1.

Chairperson Gjerstad reopening the hearings on **ERO-23**. Gary Reser, Governor's Liaison, Governmental Affairs Office, was first to testify. He stated this order confers cabinet level status on the Division of Housing and raises the priority of housing in Kansas to better coordinate the housing effort in the state. Mr. Reser said the Governor wants to assure the committee that the integrity of the economic development mission will be maintained and even enhanced. Attachment 2.

Mr. Reser responded to questions by committee members. There was question as to whether this new under secretary of division of housing would need Senate confirmation. The answer was no. As to the status of the Governor's formation of a Commission on Housing and Homelessness and when it would be forthcoming the answer was it is being done and early April should be accomplished. He also stated the name change Director of Housing elevates the cabinet level position.

Secretary Laura Nichol, next conferee said the Governor proposes to rename the department to the Department of Commerce and Housing and elevate the current Office of Housing to Division level status headed by an Undersecretary of Housing and consolidate three housing functions from SRS to the new housing division. This action would put special emphasis on the need to assist in achieving affordable housing and would address the needs of the homeless and other special needs groups. No EDIF funds are proposed. She said Dennis Shockley is serving as Chief of Office of Housing. Attachment 3.

Secretary Nichol responded to questions. Question was asked as to whom Mr. Shockley would report to. He would report to the Secretary but because of importance of housing in the state the Governor would like for Mr. Shockley to have cabinet level

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

room 423-S, Statehouse, at 3:40 ~~am~~/p.m. on Monday, February 24, 1992

status. He was appointed by Secretary Nichol and report to Secretary Nichol and would sit in on cabinet level meeting to keep Governor informed. He would not be subject to confirmation. The staff would include a total of 21; eight new positions, eight from SRS and five already in Office of Housing. It was requested Secretary Nichol furnish a flow chart and position qualifications.

Representative Chronister felt the committee should consider a bill be introduced that if **ERO 23** passed, the position should be confirmed by Senate.

Dennis Shockley, Chief of Housing Development and Policy, KDOC, was final conferee. He listed the six basic components of this order and briefly outlined each. He stated this proposal allows housing programs to be consolidated in Kansas without incurring costs associated with a separate department and gives housing the status and organizational focus to achieve the mission of bringing affordable housing to all Kansans. Attachment 4.

The Chair distributed copies of a resolution approving **ERO 23** by the Senate. Attachment 5.

Mr. Reser, Secretary Nichol and Dennis Shockley responded to further questioning by committee members.

One question was if there is a disclosure policy for staff and if a copy could be made available. If **HB 2918** is not passed, Secretary Nichol replied that they are reviewing what other states are doing and are looking at other options regarding creative financing and exploring what can be done. Mr. Shockley listed the three entitlement cities, Topeka, Wichita and Kansas City. Fifteen percent of their money is set aside for community housing development organizations. The Chair referred to staff memo which stated 48 states have some type of finance agency and ERO does not have this. She expressed concern about the lack of a creative financial component. Another question regarded the \$6.5 million new federal home program money the state would receive the first year and will the state be asking for a fifty percent match in FY '94? Response was they would not be counting on state financing but would not rule out, however, will be looking to local units of governments and foundations for matching money.

The Chair asked Mr. Shockley and remaining conferees to return next Monday for further discussion of **ERO-23** due to the lateness of the hour.

The Chair asked if any committee member wished to introduce bills as this was last day. She stated Representative Wempe wanted to introduce legislation repealing the statute regulating commercial guide services. Motion was made by Representative Hamm, seconded by Representative Weimer. Motion carried.

Representative Bishop introduced a bill to establish a state non profit housing development corporation. Seconded by Representative Love. Motion carried.

Representative Gjerstad introduced legislation to allow Wichita State University to enter into a cooperative agreement with Wichita Area Vocational School to offer associate applied science degree. Representative Weimer made a motion to

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,
room 423-S, Statehouse, at 3:40 ~~am~~ p.m. on Monday, February 24, 1992

introduce this legislation. Seconded by Representative Bishop.
Motion carried.

Motion was made by Representative Bishop to approve the
committee minutes of February 19 and 20, 1992. Seconded by
Representative Love. Motion carried.

The meeting adjourned at 5:20 p.m.

Date Feb 24, 1992

GUEST REGISTER

HOUSE

Committee on Economic Development

<u>NAME</u>	<u>ORGANIZATION</u>	<u>ADDRESS</u>
Cal Lantis	KDOC	
Suzanne Frost	KACAD	
Martha Jenkins	HBA of GKC	Topeka
Noelle St. Clair	KS NATHRO	
JEFF SANDWICH	KULSI	TOPEKA
Paul Johnson	PACIC	Topeka
Harry Reser	Governor	Topeka
James Michael	Trac	Topeka
John M. Burk	observer	Topeka
Chris Steinger	KC.KS.	KC.KS.
Roger Trande	Topeka KS Econ Consult.	KS Econ Topeka
KAREN FRANCE	KAIC	TOPEKA
JANET STUBBS	HBAK	Topeka
Art Brown	KE car Dealer	KC
Whitney Cannon	Pete McMillan & Associates	Topeka

Kansas Department of Revenue

Transient Guest Tax

1/17/88

County	Rate	Effective Date	Previous Rate and Effective Date		Previous Rate and Effective Date	
Cherokee Co.	2%	6/1/83				
Cloud Co.	2%	7/1/91				
Crawford Co.	2%	12/1/86				
Finney Co.	2%	1/1/78				
Franklin Co.	2%	11/1/84				
Geary Co.	5%	4/1/90	3%	4/1/86	2%	4/1/78
Grant Co.	2%	4/1/92				
Labette Co.	2%	7/1/87				
Lyon Co.	2%	7/1/83				
Marshall Co.	2%	9/1/87				
Mitchell Co.	2%	10/1/91				
Montgomery Co.	2%	6/1/84				
Morris Co.	4%	1/1/92	2%	10/1/85		
Phillips Co.	2%	1/1/87				
Reno Co.	Repealed	12/31/87	2%	9/1/78		
Rice Co.	2%	4/1/92				
Russell Co.	4%	12/1/90	2%	3/1/85		
Scott Co.	Repealed	3/3/86	2%	4/1/86		
Sedgwick Co.	5%	7/1/85				
Sherman Co.	3%	1/1/91	2%	3/1/83		
Smith Co.	Rescinded	11/13/89	2%	1/1/90		
Wilson Co.	2%	2/1/86				
Woodson Co.	2%	11/1/82				

City	Rate	Effective Date	Previous Rate and Effective Date		Previous Rate and Effective Date	
Abilene	3%	8/1/86	2%	7/1/77		
Andover	5%	1/1/91				
Arkansas City	4%	10/1/86	3%	10/1/80		
Atwood	2%	4/1/90				
Belleville	2%	4/1/85				
Chanute	3%	1/1/81				
Colby	2%	1/1/87	1%	5/1/82		
Dodge City	6%	8/1/91	3%	2/1/89	2%	5/1/81
El Dorado	4%	2/1/89	2%	1/1/80		
Ellsworth	3%	1/1/92				
Emporia	3%	1/1/89	2%	12/1/82		
Eureka	2%	1/1/88				
Fort Scott	3%	1/1/88	2%	9/1/81		
Great Bend	3%	4/1/90	2%	9/1/78		
Greensburg	2%	3/1/82				
Hays	3%	10/1/89	2%	4/1/82		
Hiawatha	2%	5/1/84				
Hutchinson	4%	10/1/87				
Iola	3%	1/1/90				
Kansas City	4%	10/1/89	2%	3/1/85		
Kinsley	2%	7/1/91				
Lansing	2%	4/1/91				
Larned	2%	10/1/91	1%	3/1/74		
Lawrence	4%	10/5/85	2%	3/1/80		
Leavenworth	4%	11/1/87	2%	7/1/82		
Lenexa	4%	8/1/82				
Liberal	3%	5/1/88	2%	3/1/82		
Lindsborg	2%	10/1/82				
Manhattan	5%	7/1/89	3%	3/1/86	2%	1/1/82
Marysville	2%	10/1/86				
McPherson	3%	3/1/91	2%	3/1/86	discontinued	12/9/83
Merriam	4%	1/1/92	2%	1/1/89		2%
Newton	5%	4/1/91	3%	4/1/87	2%	7/1/83
Norton	2%	2/1/86	1%	6/1/80		
Oakley	2.5%	4/1/91	1%	4/1/84		
Oberlin	2%	2/1/86				
Olathe	4%	7/1/87	2%	9/1/80		
Osawatomie	2%	2/1/86				
Overland Park	4%	9/1/89	2%	1/1/85		
Park City	5%	11/1/87	2%	2/1/85		
Pratt	2%	12/1/82				
Salina	5%	10/1/91	3%	10/1/87	2%	10/1/77
Scott City	2%	9/1/89				
S. Hutchinson	4%	12/1/87				
Topeka	5%	1/1/87	2%	9/1/80		
WaKeeney	1%	9/1/84				
Wamego	2%	1/1/91				
Wellington	2%	10/1/87				
Wichita	6%	7/1/90	5%	11/1/82		
Winfield	4%	1/1/91				

Eco-Devo
 Attach. #1
 02-24-92

Transient Guest Tax

98% Collection

(Local Units Receive 98% State Receives 2%)

COUNTIES AND CITIES WITH FOUR AND FEWER FILERS ARE CONFIDENTIAL

Rate	# Filers	City/County Name	Jul-Sep '91	Oct-Dec '91	CY 1991 Total
2%	7	Crawford Co.	\$10,449.77	\$9,533.20	\$33,261.06
2%	9	Finney Co.	\$18,238.58	\$24,598.03	\$82,857.22
2%	5	Franklin Co.	\$5,645.37	\$6,708.47	\$23,565.97
5%	11	Geary Co.	\$54,917.89	\$50,850.95	\$196,726.60
2%	6	Labette Co.	\$4,114.11	\$2,992.24	\$14,188.76
2%	12	Montgomery Co.	\$13,834.49	\$19,175.38	\$61,897.81
4%	6	Russell Co.	\$6,668.91	\$8,967.76	\$24,889.71
3%	8	Sherman Co.	\$25,774.33	\$17,894.24	\$64,602.25
	88	98% Total	\$151,580.72	\$157,265.50	\$545,231.93
		Total Counties	\$154,674.20	\$160,475.00	\$556,359.11
3%	6	Abilene	\$17,963.09	\$11,174.71	\$47,219.37
3%	6	Chanute	\$5,063.67	\$5,405.41	\$17,854.83
2%	8	Colby	\$15,168.39	\$13,262.64	\$44,955.83
6%	13	Dodge City	\$29,751.33	\$60,264.73	\$135,983.27
4%	6	El Dorado	\$12,982.69	\$18,356.56	\$61,009.12
3%	8	Emporia	\$29,231.41	\$28,527.63	\$105,651.68
3%	6	Fort Scott	\$8,204.08	\$6,948.52	\$25,900.88
3%	10	Great Bend	\$25,252.31	\$22,255.85	\$81,178.33
3%	11	Hays	\$57,097.87	\$54,692.48	\$177,583.71
4%	7	Hutchinson	\$43,346.85	\$50,836.25	\$162,796.70
4%	15	Kansas City	\$50,954.41	\$42,090.56	\$170,062.69
4%	12	Lawrence	\$64,055.77	\$77,441.01	\$260,402.27
4%	6	Leavenworth	\$23,267.16	\$16,319.37	\$69,222.26
4%	7	Lenexa	\$72,475.83	\$101,918.59	\$329,821.51
3%	14	Liberal	\$25,525.46	\$30,942.10	\$112,592.76
5%	8	Manhattan	\$82,443.11	\$92,060.47	\$333,335.44
2%	5	Marysville	\$2,448.18	\$2,097.78	\$8,703.72
3%	5	McPherson	\$13,524.90	\$15,372.40	\$49,315.39
5%	5	Newton	\$16,571.21	\$28,935.45	\$72,678.83
3%	5	Oakley	\$6,186.81	\$5,185.85	\$16,651.91
4%	17	Overland Park	\$357,060.32	\$499,036.67	\$1,579,951.18
2%	9	Pratt	\$5,997.30	\$6,323.97	\$22,394.35
5%	17	Salina	\$83,864.72	\$99,384.93	\$297,414.62
5%	24	Topeka	\$205,981.67	\$216,539.62	\$776,826.97
1%	5	WaKeeney	\$1,957.88	\$1,042.86	\$5,013.25
6%	80	Wichita	\$709,889.78	\$767,295.90	\$2,842,240.85
	382	98% Total	\$2,087,349.83	\$2,427,521.15	\$8,307,759.04
		Total Cities	\$2,129,948.81	\$2,477,062.40	\$8,477,305.14
		98% Total	\$2,238,930.55	\$2,584,786.65	\$8,852,990.97
		Grand Total	\$2,284,623.01	\$2,537,537.40	\$9,033,664.26

STATE OF KANSAS



OFFICE OF THE GOVERNOR

JOAN FINNEY, Governor
State Capitol, 2nd Floor
Topeka, KS 66612-1590

913-296-3232
1-800-432-2487
TDD# 1-800-992-0152
FAX# (913) 296-7973

Testimony Before the House Economic Development Committee
on Executive Reorganization Order No. 23
by Gary Reser, Governor's Legislative Liaison

February 20, 1992

Representative Gjerstad, Representative Sader, and members of the committee, thank you very much for affording me the honor of appearing today and seeking your support for Executive Reorganization Order No. 23, establishing a Department of Commerce and Housing.

On behalf of the Governor and the citizens of Kansas, I would also like to congratulate you for the diligence and dedication you always exhibit in charting an effective and successful economic development strategy for our great state. It is sincerely appreciated.

This order confers cabinet level status on the Division of Housing and raises the priority of housing within state government. An important first step was taken in the 1990 legislative session when the Office of Housing was created and placed in the Department of Commerce. This reorganization order takes housing into the next logical phase, raises it to division status, and consolidates within that division the weatherization, community services block grant, and emergency community services homeless program functions from the Department of Social and Rehabilitation Services with the present function performed by the Office of Housing. Under the existing structure, there has not been a coordinated housing effort in Kansas.

The consolidation and cabinet level will allow these programs to more effectively serve the housing needs of all Kansans and allow housing issues to be more effectively articulated before the Legislature and the Governor. It will also provide better coordination of housing policy with other relevant agencies of state government and better position the state to take advantage of ongoing and upcoming Federal housing programs.

Eco-Devo
Attach 2
02-24-92

February 20, 1992
Page 2

The reorganization will also enable the Department to better serve local units of government and housing constituents by providing technical assistance and serving as a clearinghouse for housing information.

The Governor wants to assure you that the integrity of the economic development mission of the new Department will be maintained and even enhanced, because housing, as you know, has a significant economic development role to play.

Finally, the executive reorganization will position Kansas to aggressively compete with other states in this important area. Kansas has diverse housing needs. This reorganization will allow our state to better meet those needs.

Again, thank you for the chance to be with you today.

**Testimony before the
House Economic Development Committee**

on

Executive Reorganization Order No. 23

**February 20, 1992
Kansas Department of Commerce
Secretary Laura E. Nicholl**

*Eco-Devo
Attach#3
02-24-92*

I appear before you in support of Governor Joan Finney's Executive Reorganization Order No. 23 relating to the state housing program.

The Governor proposes to;

- 1) rename the department as the Department of Commerce and Housing,
- 2) elevate the current Office of Housing to Division level status headed by an Undersecretary for Housing, and
- 3) consolidate three housing functions from SRS to the new Housing Division,

which will put special emphasis on the need to assist in achieving affordable housing for all Kansans and to address the needs of the homeless and other special needs groups.

The legislature established the Office of Housing within the Community Development Division of the Department of Commerce in 1990 but did not fund any staff on programs within the function.

Governor Finney's proposal includes a full program component including policy, research, and program capacity; establishes affordable housing as a state priority; and recognizes the significance of housing to the economic development of our state.

The addition of the Housing Division to the Department of Commerce and Housing will not detract from the currently established trade, marketing, promotional business and community assistance functions of the Department. With the creation of the Undersecretary for Housing the responsibility for housing programs and policy of the Secretary of Commerce can be substantially delegated to a capable senior manager. No EDIF funding is proposed for the housing function.

If there is any doubt about housing as a significant part of economic development, I can relate to you a case in western Kansas a short time ago when a company which would employ fifty (50) persons decided not to locate in a community due, in large part, to the lack of available housing for workers who would need to be recruited to the area. While sufficient older housing stock in need of rehabilitation was available in the community, mortgage loan financing was not available. Had there been an active state housing program it may have been possible to positively impact that situation with a creative problem solving approach and resources.

Additionally, we are all aware that housing construction and rehabilitation in themselves have a significant economic impact on communities.

Affordable housing for all Kansans is a goal to which we can all subscribe and one which is important to stable and productive workers -- who are the foundation of our economic fortunes in Kansas.

We are proud of the prospect of joining 48 other states which have major housing programs in service to their citizens and of this commitment to Kansans' quality of life.

I am pleased now to introduce Mr. Dennis Shockley, Chief of the Office of Housing, who will discuss this proposal in greater detail with you.

KANSAS DEPARTMENT OF COMMERCE
OFFICE OF HOUSING
DENNIS SHOCKLEY, CHIEF OF HOUSING DEVELOPMENT & POLICY

TESTIMONY BEFORE HOUSE ECONOMIC DEVELOPMENT COMMITTEE
FEBRUARY, 20, 1992
ON
EXECUTIVE REORGANIZATION ORDER #23

As you are already aware, Kansas was the last state to create a permanent housing office in July, 1990. It was logically placed in the Department of Commerce. It has authority and responsibility to: prepare, amend, and administer the state housing plan; serve as a clearinghouse and single point of contact for the state regarding information, programs, and resources related to affordable and accessible housing; provide access and management of federal housing programs for delivery to the citizens and businesses of Kansas; and work to assist agencies and organizations in the development of affordable housing. A Legislative Post Audit Report in August, 1991, determined that after one year of operation, the Department had taken limited action in these areas. The main reason given is that there had not been a corresponding commitment of money and human resources to carry out the housing activities charged to the Department by the Legislature.

The Governor's Executive Reorganization seeks to remedy these inadequacies by centralizing various housing related activities into a new division within the Department and giving the area of housing the visibility and commitment afforded to it by other states.

Executive Reorganization Order No. 23 has six basic components which will:

1. Change the name of the Department to Commerce and Housing.
2. Create a separate division of Housing in the Department.
3. Head the new division with an Undersecretary (a cabinet level designation).
4. Transfer the Weatherization Program from SRS to Commerce and Housing.
5. Transfer the Community Services Block Grant Program from SRS to Commerce and Housing.
6. Transfer the Emergency Homeless Grant from SRS to Commerce and Housing.

Eco-Dev
Attach 4
02-24-92

The reasons for the reorganization are many. First, as already indicated, the Office of Housing has not performed its legislative charge. Properly staffed and funded, the new division will properly administer state housing programs.

Second, Kansas has lagged far behind other states in the area of housing. The aforementioned Post Audit Report points out that compared with surrounding states and other states contacted, "Kansas has relatively few housing programs and devotes limited staff resources to housing issues." The reorganization will allow Kansas to move up to comparison with some other states.

Third, the new division will permit Kansas to compete effectively for available federal housing funds that we are not presently receiving. Such programs as HOPE and Stewart B. McKinney grants can henceforth be actively sought. Of the 18 available McKinney grants, Kansas has participated in only four. A Kansas Department of Education study published in August of last year shows over 2,100 homeless children in the state identified by the Kansas Public schools. That number is no doubt higher. We need to be more aggressive in pursuing McKinney grants. HOPE is a new federal competitive grant program aimed at homeownership.

Fourth, the new federal HOME program is a \$6.5 million direct allocation of housing dollars into Kansas. This is a major influx of money into a state that has had only a modest housing effort until now. HOME is the major new housing initiative of the Bush Administration. Administered by HUD, it is a very flexible program that can be used for acquisition of existing housing, rehabilitation, tenant assistance, and new construction. Properly administered, the HOME program can be a revolutionary housing program for the state.

Fifth, the relationship of economic development issues to housing are obvious. Two consecutive administrations representing both political parties have seen that tie and have acted on it. It is difficult to attract business and industry into the state if adequate and affordable housing stock is unavailable. Also, the infusion of \$14.5 million in federal dollars into the local economies of the state has an impact on the local housing industry and flows into the pockets of real estate agents, hardware and lumber stores, developers, tradespeople, and financial institutions - a ripple effect similar to that of tourism, trade, or other economic development dollars.

Sixth, the synergy created by the focus of housing resources in one fully staffed agency will allow Kansas to become creative in the field of housing. For example, the state of Delaware has a second mortgage assistance program which allows first time home-buyers who are credit-worthy to defer down-payment and closing costs into a second payment that enables them to realize homeownership. The state of Colorado has a major housing thrust working with nonprofit organizations in rural areas. In Arizona the Housing Office is responsible for handling the Resolution Trust Corporation (RTC) properties. There were many other examples. In addition, the new housing division would be able to work more closely with the Farmer's Home Administration and other federal housing related agencies to accomplish affordable housing objectives.

In closing, I would simply like to add that this move by Governor Finney is the next logical step for housing, raising it from a programmatic level to the division or department status it enjoys in 48 other states. Some have argued that Housing should be a separate agency or department and maybe it should. However, this proposal allows housing programs to be consolidated in Kansas without incurring the costs associated with a separate department in this instance, and gives housing the status and organizational focus to achieve its mission of bringing affordable housing within the reach of all Kansans.

SENATE RESOLUTION No. 1825

By Committee on Economic Development

2-20

8 A RESOLUTION approving Executive Reorganization Order No.
9 23, relating to the establishment of a department of commerce
10 and housing.

11
12 *Be it resolved by the Senate of the State of Kansas:* That Ex-
13 ecutive Reorganization Order No. 23 is hereby approved.

14 *Be it further resolved:* That the Senate agrees with the Governor
15 that Kansas should give more attention and effort to housing issues
16 than it has in the past.

17 *Be it further resolved:* That the Senate has concerns that few
18 communities have conducted comprehensive needs assessments, that
19 a detailed assessment needs to be conducted statewide in individual
20 communities as the first step in the development of major housing
21 initiatives, and that the staffing of eight new full time employee
22 positions within the division of housing established within the de-
23 partment prior to the accomplishment of such statewide needs as-
24 sessment similar to those done in Colorado and the city of Topeka
25 would appear to be premature.

26 *Be it further resolved:* That the Senate recognizes that other
27 states have been successful in acquiring federal grants and in creating
28 sophisticated financing mechanisms to fund housing projects, and it
29 is recommended that the newly established department make a con-
30 centrated effort of recruiting employees who have gained expertise
31 and experience in these complicated processes.

32 *Be it further resolved:* That the Secretary of the Senate be di-
33 rected to send enrolled copies of this resolution to the Governor,
34 the Secretary of State and the Secretary of the Department of Com-
35 merce.

Eco-Devo
Attach 5
02-24-92