

Approved February 18, 1992  
Date

MINUTES OF THE Senate COMMITTEE ON Economic Development

The meeting was called to order by Senator Dave Kerr at  
Chairperson

8:00 a.m. ~~XXX~~ on February 14, 1992 in room 123-S of the Capitol.

All members were present except:

Senator Ben Vidricksen (Excused)  
Senator Wint Winter

Committee staff present:

Lynne Holt, Legislative Research Department  
Bill Edds, Revisor of Statutes' Office  
LaVonne Mumert, Committee Secretary

Conferees appearing before the committee:

Carole Morgan, Department of Commerce  
Dr. Ed Hammond, Fort Hays State University

Carole Morgan requested that the Committee introduce a bill regarding issuance of private activity bonds by the Department of Commerce (Attachment 1). She said the bill would make several minor changes in the agency's enabling legislation in order to allow them to use all of the bond allocation in this calendar year.

Senator Feleciano moved that the bill be introduced as requested. Senator Moran seconded the motion, and the motion carried.

S.B. 609 - Repealing super collider project statutes

The bill would repeal statutory references to the super collider project, which has been awarded to another state.

Senator Feleciano moved that the bill be recommended favorably for passage and that it be placed on the Senate Consent Calendar. Senator Salisbury seconded the motion, and the motion carried.

S.B. 610 - Wildlife arts council statutes repealed

Carole Morgan testified in favor of the bill (Attachment 2). She said the Kansas Wildlife Art program has not realized the original goal of being self-supporting and actually costs the agency \$15,000 annually. Ms. Morgan said there is an inventory of prints and stamps which amounts to half a million dollars, based on a \$100 value for prints and a \$10 value for stamps. Senator Feleciano suggested that perhaps the program could be transferred to Wildlife and Parks and/or the Arts Commission. In response to questions from Chairman Kerr, Ms. Morgan said there are six different prints in the series. Chairman Kerr asked what the Department of Commerce proposes to do with the current inventory. Ms. Morgan said they would request legislative direction since selling the inventory at reduced prices would devalue the prints and stamps previously purchased and destroying the inventory would increase the value of those already purchased.

Dr. Ed Hammond said that with the relocation of the Sternberg Museum, Fort Hays State University would be interested in either taking over the program or having the inventory transferred to them. He explained that the art series would complement the exhibits featured by the museum. He noted that the museum currently has 40,000 visitors yearly and it is projected that figure will go to 150,000 after the first year in the new location and 250,000 after the second year.

Chairman Kerr requested that Dr. Hammond and the Department of Commerce work together on the project and bring an alternative proposal for the Committee's consideration.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Economic Development,  
room 123-S, Statehouse, at 8:00 a.m./~~p.m.~~<sup>XX</sup> on February 14, 1992.

S.B. 614 - Department of commerce; renaming certain divisions therein

Carole Morgan spoke in support of the bill to rename the current Industrial Development Division as the Division of Business Recruitment and rename the current Division of Existing Industry Development as the Division of Existing Business (Attachment 3). In response to questions from the Committee, Ms. Morgan said there would be no stationery or supplies discarded as a result of the change. Answering Senator Brady's questions about the effect of the change, Ms. Morgan said that she feels that it presents a better image, especially to companies outside the state. Senator Oleen asked if the directors are currently in the unclassified service and would remain so. Ms. Morgan answered affirmatively.

Senator Feleciano moved that the bill be recommended favorably. Senator Oleen seconded the motion, and the motion carried. Senator Brady requested that his "no" vote be recorded.

Senator Salisbury moved that the minutes of the February 12, 1992 meeting be approved. Senator Oleen seconded the motion, and the motion carried.

The meeting adjourned at 8:30. The next meeting of the Committee will be Tuesday, February 18, 1992.



Senate Economic Development Committee

February 14, 1982

Request For Introduction of Committee Bill Relating to Matters in  
the Kansas Department of Commerce:

Amendments to Private Activity Bond statutes  
to accommodate 6 month allocation sunset

Presented by

Laura E. Nicholl, Secretary

Attachment 1  
2/14/82  
Sen. Eco. Dev.

SUBJECT: Amendments to PAB statutes to accommodate 6 month allocation sunset.

The Congress has authorized a six (6) month extension of the state's authority to allocate tax-exempt bond authority for "small issue" and single-family housing purposes. Under this extension all 1992 allocations must be made by June 30, 1992.

Kansas statute presently requires a "reserve" be maintained for use by certain types of qualifying projects until October 15th. Given Kansas' October 15th reserve requirements, the scheduled sunset of June 30, 1992 will not allow the full utilization of the state's allocation. KDOC proposes that statutory language be modified to accommodate this abbreviated allocation year as was done in a similar instance in 1990. The changes suggested involve:

1. the adjustment of the reserve date;
2. minor language clarifications; and,
3. proper referencing by year (e.g. 74-5060 (a)).

These changes will not materially alter the process, but will allow KDOC to maximize the use of this economic development tool.

I respectfully submit this issue for your review and urge your timely favorable action.

**74-5063.** Same; computation of state ceiling and allocation among governmental issuers for 1990; application, approval or denial; expiration of allocation, extension; certification of compliance with federal internal revenue code. (a) The secretary shall determine the state ceiling for calendar year ~~1990~~ in accordance with the formula provided therefor in the code and shall allocate the state ceiling among governmental issuers in accordance with the provisions of this section.

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Should an extension of authority for qualifying bond activities be enacted by the Congress, authority and processes governing private activity bond allocation will be governed by K.S.A.:74-5060.

(b) The secretary shall ~~receive until June 1~~ (1) an amount equal to \$5,000,000 for allocation in accordance with the provisions of section 141(b)(5) of the code for private activity use of a portion of the proceeds of bonds issued by governmental issuers, (2) an amount equal to \$5,000,000 for allocation for qualified student loan bonds as defined in section 144(b) of the code, and (3) an amount equal to \$25,000,000 for allocation for qualified small issue bonds as defined in section 144(a) of the code. ~~On and after June 1~~ any portion of the state ceiling remaining unused or uncommitted shall be available for allocation to governmental issuers by the secretary without regard to the reservations provided for in this subsection.

dedicate until May 1

On and after May 1

(c) Prior to any issuance of private activity bonds subject to the state ceiling, a governmental issuer shall submit to the secretary on a form prescribed by the secretary a written application for an allocation of the state ceiling for such issue.

(d) Subject to the provisions of subsection (b), the secretary shall approve each properly filed application for an allocation for qualified small issue bonds of \$5,000,000 or less on the basis of the chronological order of receipt of

applications. If an application is for an allocation in excess of \$5,000,000, the secretary may approve the total amount, approve a partial amount or reject the application.

(e) Within five business days after receipt of an application for an allocation, the secretary shall notify the governmental issuer in writing that (1) the application has been approved and shall specify the amount approved, or (2) the application has been denied, or (3) the application has been placed on hold pending receipt of additional information with respect to the application or pending a review of the effect approval of the application will have on the state ceiling.

(f) Unless an extension or a carry-forward election is approved by the secretary, an approved allocation, or any portion thereof, that is not utilized by the issuance of the private activity bonds for which the allocation was approved shall expire at the earliest of (1) the time of 11:59 p.m. on the date which is 60 days after the date the notification of the approved allocation is mailed to the governmental issuer or on such other date as the secretary may specify in the notification, or (2) the date upon which the approved allocation is voluntarily surrendered to the secretary by the governmental issuer.

(g) A governmental issuer may request an extension of the expiration date of an approved allocation by filing a written application therefor with the secretary. Any such application must be received by the secretary not less than two days prior to the expiration date of the approved allocation. In such instances, the secretary may approve an extension for a period ending at the earliest of (1) the time of 11:59 p.m. on the date which is 30 days after the initial expiration date, or (2) the date upon which the approved allocation is voluntarily surrendered to the secretary by the governmental issuer. The secretary shall notify the governmental issuer within five business days after receipt of the application if the request for extension has been approved or denied. If the private activity bonds for which an extension has been approved are not issued on or before the last day of the extension period approved by the secretary, the approved allocation shall expire unless a carryforward election is approved by the secretary.

(h) Notwithstanding any other provision of this act, if an approved allocation or an approved extension period expires, the secretary may grant an extension, or a further extension.

IONS AND AUTHORITIES

for any period ending not later than the time of 11:59 p.m. on December 31.

(i) The secretary shall provide to the governmental issuer on or prior to the date of issuance of any private activity bonds for which an approved allocation has not expired a certification that such bonds meet the requirements of section 146 of the code.

(j) The secretary may approve a carryforward election with respect to an approved allocation or any approved extension if the governmental issuer, in writing (1) requests such action, and (2) indicates that the private activity bonds for which the allocation was approved cannot be issued during calendar year 1990. Such approved carryforward election shall be made by the governmental issuer by means of a statement, signed by a duly authorized official of such issuer. Such statement shall be filed with the secretary and with the internal revenue service in accordance with section 146(f) of the code. A governmental issuer may elect to carryforward such issuing authority only for qualified mortgage bonds, mortgage credit certificates, qualified student loan bonds, qualified redevelopment bonds, as defined in sections 142, 143 and 144 of the code, or for bonds to finance a project described in section 141(e)(1)(A) of the code. In no event shall such carryforward be effective for a period longer than permitted by section 146(f) of the code.

(k) If an approved allocation expires, a governmental issuer may submit another application for an allocation of the state ceiling for the same purpose for which the expired allocation was approved. Any such applications shall be reviewed in order of receipt with no preference or priority being given as a result of the prior application and allocation.

History: L. 1990, ch. 285, § 2; April 19.

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in which the allocation was approved



**74-5060.** Same; computation of state ceiling and allocation among governmental issuers; application, approval or denial; expiration of allocation, extension; certification of compliance with federal internal revenue code. (a) The secretary shall determine the state ceiling for each calendar year in accordance with the formula provided therefor in the code and, except as otherwise provided in ~~K.S.A. 1990 Supp. 74-5063,~~ shall allocate the state ceiling among governmental issuers in accordance with the provisions of this section.

K.S.A. 1992 SUPP 74-5063

(b) The secretary shall ~~reserve~~ until October 15 of each year (1) an amount equal to \$5,000,000 for allocation in accordance with the provisions of section 141(b)(5) of the code for private activity use of a portion of the proceeds of bonds issued by governmental issuers, (2) an amount equal to \$5,000,000 for allocation for qualified student loan bonds as defined in section 144(b) of the code, and (3) an amount equal to \$25,000,000 for allocation for qualified small issue bonds as defined in section 144(a) of the code. On and after October 15 of each year, any portion of the state ceiling remaining unused or uncommitted shall be available for allocation to governmental issuers by the secretary without regard to the reservations provided for in this subsection.

dedicate

(c) Prior to any issuance of private activity bonds subject to the state ceiling, a governmental issuer shall submit to the secretary on a form prescribed by the secretary a written application for an allocation of the state ceiling for such issue.

(d) Subject to the provisions of subsection (b), the secretary shall approve each properly filed application for an allocation for qualified small issue bonds of \$5,000,000 or less on the basis of the chronological order of receipt of applications. If an application is for an allocation in excess of \$5,000,000, the secretary may approve the total amount, approve a partial amount or reject the application.

(e) Within five business days after receipt of an application for an allocation, the secretary shall notify the governmental issuer in writing that (1) the application has been approved and shall specify the amount approved, or (2) the application has been denied, or (3) the application has been placed on hold pending receipt of additional information with respect to the application or pending a review of the effect approval of the application will have on the state ceiling.

(f) Unless an extension or a carryforward election is approved by the secretary, an approved allocation, or any portion thereof, that is not utilized by the issuance of the private activity bonds for which the allocation was approved shall expire at the earliest of (1) the time of 11:59 p.m. on the date which is 60 days after the date the notification of the approved allocation is mailed to the governmental issuer or on such other date as the secretary may specify in the notification, or (2) the date upon which the approved allocation is voluntarily surrendered to the secretary by the governmental issuer, or (3) the time of 11:59 p.m. on December 1 of the calendar year in which the allocation was approved.

(g) A governmental issuer may request an extension of the expiration date of an approved allocation by filing a written application therefor with the secretary. Any such application must be received by the secretary not less than two days prior to the expiration date of the approved allocation. In such instances, the secretary may approve an extension for a period ending at the earliest of (1) the time of 11:59 p.m. on the date which is 30 days after the initial expiration date, or (2) the date upon which the approved allocation is voluntarily surrendered to the secretary by the governmental issuer, or (3) the time of 11:59 p.m. on December 1 of the calendar year in which the allocation was approved. The secretary shall notify the governmental issuer within five business days after receipt of the application if the request for extension has been approved or denied. If the private activity bonds for which an extension has been approved are not issued on or before the last day of the extension period approved by the secretary, the approved allocation shall expire unless a carryforward election is approved by the secretary.

(h) Notwithstanding any other provision of this section, if an approved allocation or an approved extension period expires on December 1, the secretary may grant an extension, or a further extension, for any period ending not later than the time of 11:59 p.m. on December 31 of the calendar year in which the allocation was approved.

(i) The secretary shall provide to the governmental issuer on or prior to the date of issuance of any private activity bonds for which an approved allocation has not expired a certification that such bonds meet the requirements of section 146 of the code.

DEPARTMENT C

(j) On or after December 16 of each calendar year, the secretary may approve a carryforward election with respect to an approved allocation or any approved extension if the governmental issuer, in writing (1) requests such action, and (2) indicates that the private activity bonds for which the allocation was approved cannot be issued during the calendar year in which the allocation was approved. Such approved carryforward election shall be made by the governmental issuer by means of a statement, signed by a duly authorized official of such issuer. Such statement shall be filed with the secretary and with the internal revenue service in accordance with section 146(f) of the code. A governmental issuer may elect to carryforward such issuing authority only for qualified mortgage bonds, mortgage credit certificates, qualified student loan bonds, qualified redevelopment bonds, as defined in sections 142, 143 and 144 of the code, or for bonds to finance a project described in section 141(e)(1)(A) of the code. In no event shall such carryforward be effective for a period longer than permitted by section 146(f) of the code.

(k) If an approved allocation expires, a governmental issuer may submit another application for an allocation of the state ceiling for the same purpose for which the expired allocation was approved. Any such applications shall be reviewed in order of receipt with no preference or priority being given as a result of the prior application and allocation.

History: L. 1988, ch. 303, § 3; L. 1990, ch. 285, § 1; April 19.

Testimony before the  
Senate Economic Development Committee  
on  
Senate Bill 610  
February 14, 1992

by  
Kansas Department of Commerce  
Carole Morgan, Deputy Secretary

Attachment 2  
2/14/92  
Sen. Eco. Dev.

The Kansas Wildlife Art program (KSA 74-7901 et seq) was initiated in 1986 with the goal of recognizing Kansas wildlife and Kansas artists. This was to be accomplished through a competitive process of marketing artistic prints and stamps which would be sold for \$100 and \$10 respectively.

It was hoped that this program would turn a profit, and that proceeds could be used to fund the cost of administering the program. Unfortunately, this has not been the case. If the unsold prints and stamps that are currently taking up limited department storage space were sold today, the inventory price tag would be listed at just over half a million dollars.

In addition, what was supposed to be a self-supporting program has cost the Travel and Tourism Division nearly \$15,000 annually. The costs that contribute to this figure include printing the legislative mandated number of prints and stamps, the cost of all collateral materials and artistic fees. No funding for these functions has been allocated, nor have there been adequate funds to market the program. The result has been a poorly administered effort, and the expenditure of funds that should have

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been used to carry out Travel and Tourism's legislative mandate to market the state as a travel and tourist destination.

We have heard from a number of legislative leaders who ask us to report on examples of government waste, examples of nuisance legislation that takes up precious staff time and statutes that do not appear to be consistent with our primary legislative mandates. Senators, the Wildlife Art program should be placed in all of those categories.

Repealing the Wildlife Art statute will allow what we believe is one of the state's busiest division's to more efficiently promote our state. We believe recognition of the state's many economic development opportunities through tourism is approaching an all time high. To take advantage of this trend, it would behoove the state to send the message that our Travel and Tourism Division should be allowed to do what it does best: stimulate travel expenditures in Kansas.

Thank you very much, and we are prepared to respond to any questions.

Testimony before the  
Senate Economic Development Committee  
on Senate Bill 614  
February 14, 1992

by

Kansas Department of Commerce

Carole Morgan, Deputy Secretary

Attachment 3  
2/14/92  
Sen. Eco Dev.



The Department of Commerce has requested the amendments to our enabling statutes contained in Senate Bill 614 which would have the effect of renaming the current Industrial Development Division as the Division of Business Recruitment and the current Division of Existing Industry Development as the Division of Existing Business.

The request is made in order to clarify the breadth of activity of each division and to more accurately reflect the broad base of business types with which each division works.

The term "industry or industrial development" is typically associated with manufacturing and warehousing. An increasing proportion of the companies with which each division works are involved in service-related operations. These include administrative offices, financial services, telemarketing, and catalog centers to cite some examples.

Additionally, "business recruitment" provides a more accurate description of that division's activities and emphasizes its main function -- recruiting business to locate in our state.

Thank you for this opportunity to support your favorable action on Senate Bill 614.