

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Chairperson Bob Miller at 3:30 p.m. on February 21, 1995 in Room 423-S of the Capitol.

All members were present except: Rep. Broderick Henderson
Rep. Kent Glasscock
Rep. Herman Dillon
Rep. Kenneth King

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Bonnie Fritts, Secretary

Conferees appearing before the committee: Rep. David Haley
Rep. Rochelle Chronister
Bill Linde, Pres., Woodson County Chamber of Commerce
John Reynolds, State Historical Society
Steve Jack, Manager of Workforce Training, Kansas Department of Commerce and Housing
Patricia Gorman Canute, Sallie Mae, Washington
Bill Caton, Pres., Kansas Development Finance Authority

Others attending: See attached list

The meeting was called to order at 3:30 p.m. by the Chairperson Bob Miller. The minutes of February 16, 1995 were distributed and approved.

HB 2398 **An act concerning local government; relating to rehabilitation of abandoned structures**

Rep. Haley addressed the committee as a sponsor and proponet of the bill and provided written testimony regarding the problem, the goal and the mechanics of the bill (Attachment 1).

HCR 5014 **A concurrent resolution designating certain areas in the Verdigris, Neosho, Fall River and the Big and Little Sandy Creek Valleys as the "Opothle Yahola Historic Trail"**

Rep. Chronister appeared as a proponet of the bill asking for recognition of the Indian Tribes in our area in this manner, adding that it would enhance tourism (Attachment 2).

Bill Linde also spoke as a proponet of the bill giving the committee the history of the indian named "Opothle Yahola" along with a map of the trail (Attachment 3).

John Reynolds, proponet, appeared before the committee to echo what Rep. Chronister and Bill Linde each said about the bill.

HB 2435 **An act providing for a job training loan assistance program**

Steve Jack, proponet of the bill, stressed to the committee the need for this program, stating that it would give the state one more tool in attracting businesses as well as providing excellent training for the workforce (Attachment 4).

Patricia Gorman Canute, also a proponet, spoke in behalf of the company she works for, outlining its' need for continual upgrading and new skills training for current workers (Attachment 5).

Bill Caton testified as a proponet of the bill, saying that the Governor's Council on Workforce Training may make use of this program to complement and enhance programs currently in use (Attachment 6).

A Fiscal Note was submitted to outline specific uses for loans authorized under the program (Attachment 7).

Chairperson Miller concluded the hearings on **HB 2398** and **HB 2435**.

Representative Packer made a motion that **HCR 5014** be reported favorably and placed on the Consent Calendar. Representative Pottorff seconded the motion. The motion carried.

Meeting was adjourned at 4:25 p.m.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE GUEST LIST

DATE: 2-21-95

NAME	REPRESENTING
William Komma	
Maxine Luvide	WCo. Co.
Natio Evans	SRS/Kanwork
Bill Luvide	WCo Chamber of Comm.
Mike Miller	Ks Inc
Mark Barcellina	KDOCH
Mike Montaro	Alza Cobb
Sandy Shields	visiting Rochelle Chronister
Bill Caton	KDFA
Loretta Shelley	KDHR - Apprenticeship
Dave Cleveland	KDOCH.
Wally Jensen	KDOCH
Steve Kelly	KDOCH
JOHN REYNOLDS	KANSAS STATE HISTORICAL SOCIETY
Rep. Rochelle Chronister	
Roger Franze	Ks Govt Consultina
Steve Jack	KDOCH

TESTIMONY BEFORE THE
ECONOMIC DEVELOPMENT COMMITTEE
REGARDING
HOUSE BILL 2398
PREPARED ON
February 21, 1995

Thank you Chairman Miller and members of the committee for allowing me the opportunity to discuss this important measure.

The Problem

Abandoned houses are being demolished at a record rate in Kansas City and probably, in many of your districts. A mixed blessing; many times these structures are actually restorable and the approximate costs of demolition (including, but not limited to: surveys, asbestos removal, sewer and gas line excavation and capping, razing, disposal of all debris, and grading of the now vacant lot)...these dollar costs to the taxpayers of KCK actually equal or exceed the cost of reoccupation of the structure.

The Goal

This bill is an effort to encourage KCK to re-invest in people interested in home rehab towards home ownership. It is about neighborhood

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preservation, and maintaining the integrity of our rich history. It is about Economic Development; turning waste into productivity and encouraging renters to become homeowners while investing in older neighborhoods. More homeowners, I submit will equal more businesses established within a certain proximity. Business follows consumers.

The Mechanics

A prioritization proposition, HB 2398 would require KCK to :

- * Establish and maintain a list of structures to be demolished, supplemented by a list of properties presumed vacant (currently being done)

- * Establish, solicit for and maintain a list of individuals and organizations interested in the acquisition, renovation and ownership of properties on said list.

- * Establish a committee to prioritize the deterioration of a structure into three categories according to degree, review plans for individual renovation, and demolish the worst first before those scheduled for or potentially renovatable.

Finally, there is virtually no expense to the City of KCK on this bill. It is purely a “good sense” measure. Current taxpayers will gain when vacant houses are occupied with new taxpayers. Further, KCK will no longer waste tax dollars to waste restorable houses.

Last year, 732 passed the House, Senate, then Gov. Finney and became law allowing KCK residents a sort of “mechanics lien” in occupying,

renovating and owning abandoned structures. This bill only buys more time, expands community awareness and encourages public participation in the preservation of marginal housing which may once again become into proud homes.

Thank you. I stand for questions.

David Haley
Representative
District 34

DH/cc

ROCHELLE CHRONISTER
REPRESENTATIVE, THIRTEENTH DISTRICT
ROUTE 2-BOX 321A
NEODESHA, KANSAS 66757-0321



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
CHAIRMAN: EDUCATION
MEMBER: GOVERNMENTAL ORGANIZATION
AND ELECTIONS
BOARD MEMBER: KANSAS ADVOCACY AND
PROTECTIVE SERVICES
(KAPS)

HOUSE ECONOMIC DEVELOPMENT COMMITTEE
Testimony on HCR 5014
Tuesday, February 21, 1995

Thank you Mr. Chairman, members of the committee.

I am pleased to have the opportunity to speak today in favor of HCR 5014 before the House Economic Development committee. The material in HCR 5014 might not immediately appear relevant to your committee, but it is a direct result of the community strategic grant process that was initiated by this committee to help rural counties begin the planning process for what direction they should take to survive. Woodson County, in collaboration with Coffey and Allen counties, studied their assets and determined that anything they could do to enhance tourism in their area would pay good dividends. When they studied the history of the Indian tribes in our area they were especially intrigued by the story of Opothle Yahola and his fight to bring his people to the side of the Union during the Civil War.

The struggles and suffering of the Muscogee (Creek) Indian Nation and the long overdue recognition of their place in our history in southeast Kansas is the subject of this resolution.

There is no fiscal note to the State associated with the naming of this trail, and I am pleased to let Bill Linde, President, of the Woodson County Chamber of Commerce describe the reason for the resolution to you.

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OPOTHLE YAHOLA
HISTORIC TRAIL

This is a tribute to that remarkable exodus by some seven thousand Indians through 300 miles of enemy territory in the winter of 1861.

Enclosed is a map of the route of the retreat of the Loyal Refugee Indians, under the leadership of Opothle Yahola. In addition to the map, several copies of letters of correspondence relating to their flight are included. The map, as it appears, was prepared in 1864.

With all the historical documents available for research on this monumental event, the data collected indicates that the history of the Civil War does not furnish any parallel of the patriotic devotion to the Union of our Nation by any other individuals.

What strange dynamic power did this man, Opothle Yahola, wield over Indian people? Not only did he inspire 3000 of his Creek people to follow his guidance, but 4000 Indians from other tribes followed his flight from the Confederate Forces. Some of these Indians were Yahola enemies during the Red Stick War and the times of the removal from their homelands of the Southeast. He took to Kansas 7000 Indians and 300 former slaves during the winter of 1861.

In the short time that followed, he and his precious daughter died in Kansas. Having fulfilled their mission on earth, they were laid to rest in an unmarked grave near Fort Belmont, in Woodson County.

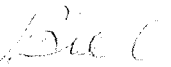
During the life of Opothle Yahola, he had traveled many trails. He had been very active in promoting peace between the white men and the Indians. President James Madison had given him the peace medal in an impressive ceremony. During the removal, he had treated in Washington with President's John Quincy Adams and Andrew Jackson.

Many great Chief's have been praised for their accomplishments, yet none can match that of Opothle Yahola. His portrait hangs in Washington among the great leaders of their Nations. A bronze bust stands in The National Hall of Fame for Famous American Indians, in Anadarko, Oklahoma. Though he was never a Principal Chief, he was a leader of his people.

It is a fitting tribute to this great American Leader to name the corridor entering Kansas as the Opothle Yahola Historic Trail, in his honor. This trail proved to be the last of his many long journeys.

In closing, prior to his removal from the homelands in Alabama, he and his life long friend, Menewa, visited the town of Tohopeka, site of the battle of Horseshoe Bend on March 27, 1814. It is ironic that 49 years later, Opothle Yahola's life would come to an end on the plains of Kansas, south of the State Capital of, "TOPEKA."

Thank You Ladies and Gentleman


Bill Linde

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August 15th, 1861
President Abraham Lincoln

"Now I write to the President, our Great Father who removed us to our present homes, and made a treaty, and you said that in our new homes we should be defended from all interference from any person and that no white people in the whole world would ever molest us , and should we be injured by any body you would come with your soldiers and punish them. But now the wolf has come. Men who are strangers tread our soil. Our children are frightened and the mothers cannot sleep for fear. This is our situation now. When we made our Treaty at Washington you assured us that our children should laugh around our houses without fear and we believed you.. Once we were at peace. Our Great Father was always near and stood between us and danger."

"We, his children want it to be so again, and we want you to send us word what to do. We do not hear from you and we want to hear your word, and feel that you do not forget them."

"I was at Washington when you treated with us, and now white people are trying to take our people away to fight against us and you. I am alive. I well remember the treaty. My ears are open and my memory is good."

/s/ Micco Hutke
/s/ Opothle Yahola, Speaker
Muscogee "Upper Creek" Indian Nation

Adjutant-General, C. S. Army, Richmond, Va.
(Inclosure)

Copy of letter taken in Hopoeithleyohola's camp on Dec 26th, 1861 after refugees had been over-run by Confederate Forces.

BARNSVILLE, September 10th, 1861

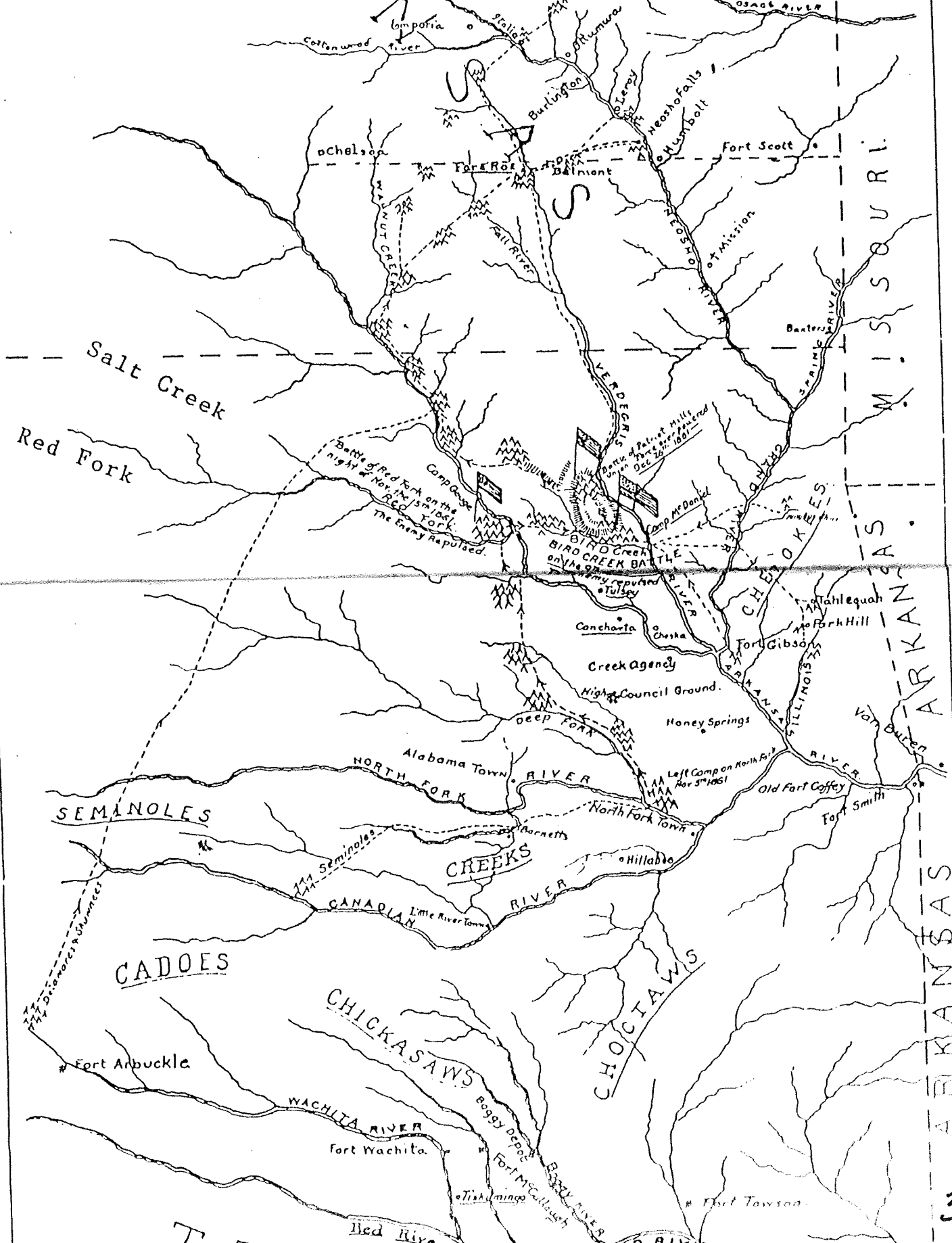
HOPOEITHLEYOHOLA, Hok-tar-hah-sas-Harjo:

Brother: Your letter by Micco Hutka is received. You will send a delegation of your best men to meet the commissioner of the United States Government in Kansas. I am authorized to inform you that the President will not forget you. Our Army will soon go South, and those of your people who are true and loyal to the Government will be treated as friends. Your rights to property will be respected. The commissioners from the Confederate States have deceived you. They have two tongues. They wanted to get the Indians to fight, and they would rob and plunder you if they can get you into trouble. But the President is still alive. His soldiers will soon drive these men who have violated your homes from the land they treacherously entered. When your delegates return to you they will be able to inform you when and where your moneys will be paid. Those who stole your orphan funds will be punished, and you will learn that the people who are true to the Government which so long protected you are your friends.

Your friend and brother,

E.H. CARRUTH,
Commissioner of C. S. Government

*Trail of the Loyal Shawnees
from the Indian Country
under A-potri-yo-ho-ho
in the Winter of 1861.
J.T. Cox.*



TESTIMONY ON H.B. 2435

Presented to the House Committee on Economic Development

By Steve Jack, Manager of Workforce Training

Kansas Department of Commerce and Housing

February 21, 1995

House Bill 2435 would give the Secretary of Commerce and Housing the authorization to develop and implement a job training loan assistance program. This bill is the result of contacts made late last year to our agency, the Governor's Council on Work Force Training and others by the Student Loan Marketing Association (Sallie Mae). Sallie Mae is marketing a loan program to states interested in developing a mechanism to provide low interest loans to assist businesses involved in training their employees. This initiative is currently being implemented in Connecticut. Iowa, Oregon, Wisconsin, and Massachusetts are all considering legislation to implement this loan program.

It is our understanding that small and medium-size businesses would be eligible for below-market rate loans ranging from \$25,000 to \$250,000. Sallie Mae would purchase 85% of a qualified loan from a participating bank with the bank retaining 15%. With the bank charging a market rate, Sallie Mae's portion of the loan would be structured at below the market rate. The state would provide a guarantee fund to Sallie Mae equal to 25% of Sallie Mae's participation. Minimum program size recommended by Sallie Mae is \$10 - \$14

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million, which would require a reserve fund of \$2 - \$3 million. The bank and the state would accept a primary risk position, with Sallie Mae in a secondary position. The bank's risk is limited to its 15 percent involvement, the state's risk is capped at the \$2 - \$3 million level, and Sallie Mae's exposure includes the remaining \$6.5 - \$9 million.

A workforce training loan program would give the state another tool to encourage private sector investment in skill training of its employees. These funds could be used to supplement the existing workforce training programs of KIT, KIR and SKILL by using training loans in conjunction with these programs. The loan program could also be used for stand alone projects. While it may be imprecise to compare demand for training loans to the demand for training grants, our agency is currently turning away half of all requests for KIR assistance. It is likely that we will deplete this year's KIT allocation in the next couple of months.

While this program would increase the state's ability to respond to workforce training needs by leveraging private sector dollars, it would require a \$2 - \$3 million reserve fund that is not included in the Governor's budget. Also, the current staffing of 2.5 FTE positions in the Workforce Training section of the Business Development Division could not absorb program administration without the addition of at least 1 new FTE. A new position would be required for

program development and operation. The Sallie Mae proposal allows for up to a 1 percent annual fee on the outstanding loans to partially offset administrative costs.

It should be made clear that this bill does not formally establish a relationship between Sallie Mae and the state. It does not specify the level of commitment of the state's involvement. What it does do is give the Secretary the authority to establish a loan program for workforce training. It gives the state the flexibility to work directly with local banks, develop an in-house program, or to tailor and structure a workable program through negotiations with Sallie Mae.

Workforce training has become an integral part of the state's economic development efforts. It is clear that a highly skilled workforce is attractive to businesses wanting to relocate facilities in Kansas as well as to existing Kansas firms trying to compete in the global marketplace. The KIT, KIR and SKILL programs assist 70 to 80 companies each year in the creation and retention of thousands of jobs. These programs provide basic, technical, and often transferable skills that improve the productivity and marketability of each individual receiving training. A workforce training loan program would give the state one more tool in this effort.

1 Testimony on Kansas Bill No. 2435
2 before the House Committee on Economic Development
3 Tuesday, February 21, 1995
4 by
5 Patricia Gorman Canute
6 Sallie Mae

7 Mr. Chairman, thank you for the opportunity to sit before you to discuss
8 development of a workforce training loan program for healthy middle market
9 Kansas companies.

10 My name is Patricia Gorman Canute. I am employed by Sallie Mae,
11 which is headquartered in Washington DC, and which has had approximately
12 600 people working in our Lawrence, Kansas office since 1985. Sallie Mae is
13 financial corporation chartered to insure that the education credit needs of the
14 post high school population is served. To that end, our research and
15 experience have lead us to conclude that as portion of the adult market has
16 been overlooked and is underserved with regard to continuing education needs.
17 Specifically, I am referring to the incumbent workforce, employed by
18 companies that are not on the Fortune 500 list -- mid-sized and smaller firms -
19 - firms that make up the backbone of our economy. Without continual

20 upgrade and new skills training for currently productive workers, the
21 companies that they serve will fall behind in the increasingly global
22 competitive market. Taking this perhaps to the extreme -- without meaningful
23 lifelong learning by their workers, currently healthy and productive tax
24 generating companies will gradually cease to contribute to the economy.
25 Human capital must be recognized as an important resource that must be
26 maintained.

27 As a innovative pilot initiative, Sallie Mae supports the notion of
28 deploying additional capital into the market earmarked for worker training.
29 Different than grant programs, which purchase training dollar for dollar and
30 carry requisite tight requirements to insure proper utilization of state monies,
31 the loan program we have proposed establishes a partnership between the state
32 and the private sector -- the banking industry and Sallie Mae. The net effect
33 is the leveraging of state dollars and hopefully, an opportunity for business to
34 chart the course of their human capital development programs more freely.

35 Let me give you an illustration of the leveraging effect under the
36 program that could result under House Bill 2435. If the state were to commit

37 \$5 million to a loan loss reserve/guarantee fund the result would be access by
38 middle market companies to more than \$23 million in loan capital; a slightly
39 lower commitment, say \$3 million, would yield approximately \$14 million in
40 capital access. The state's exposure to program losses would be capped at the
41 state's contribution. With the private sector sharing some of the risk, normal
42 mechanisms and self interest should result in responsible lending decisions and
43 collection activity.

44 How could a loan program be made attractive? Two elements are
45 critical. First, the rate has to be attractive. Under this program, the interest
46 rate should be below-market, probably somewhere between one-half to two
47 and one-half percent below rates commonly available. Since this might be
48 difficult for commercial banking to accommodate, participation by a lower cost
49 private sector capital provider would relieve the state of providing interest rate
50 subsidies. Sallie Mae would look to fulfill the latter role, functioning as the
51 program's secondary market, if invited to do so. The secondary market would
52 work in concert with commercial banks serving the state's business sector to
53 make the capital available. The customer relationship would remain always

54 here in Kansas with the companies' commercial banks.

55 Second, access to the program and requirements will need to be broader
56 and less invasive to generate market appeal. Terms like "flexibility" and "quick
57 response" come to mind.

58 Is there demand? We think so. In early 1994, Price Waterhouse
59 conducted a national survey of CEO's of manufacturing, service and retail
60 sectors. Commissioned by Sallie Mae and co-sponsored by the National
61 Association of Manufacturers, the National Retail Federation, and the
62 American Society for Training and Development, Price found that between 40
63 and 50 percent of CEO's thought access to lower-priced capital to fund
64 training programs would be attractive. Studies and focus groups in several
65 other states have replicated these results.

66 Still, translation into an active program with full market acceptance has
67 yet to be tested. Sallie Mae has invited states with innovative education and
68 training programs and sizeable workforces to join in piloting this new
69 approach. The benefit to the state of a successful program is a viable adult
70 workforce and productive companies generating tax revenues that insure the

71 continuation of the full spectrum of state obligations. Currently, one state --
72 Connecticut -- is finalizing a program for launch in 1995. Several other states,
73 like you, are addressing legislation this spring: Wisconsin, Oregon, Iowa,
74 Massachusetts and Maryland. We would welcome the opportunity to have
75 Kansas join us in creating a new model for addressing the human capital
76 development needs of our healthy middle market companies.

77

78



KANSAS

KANSAS DEVELOPMENT FINANCE AUTHORITY

Bill Graves
Governor

Wm. F. Caton
President

TESTIMONY
HOUSE BILL 2435
February 21, 1995

Thank you for the opportunity to testify before you today. I am Bill Caton, President of Kansas Development Finance Authority and a member of the Governor's Council on Workforce Training. The Council has been contemplating the use of a loan guarantee program to compliment and enhance the KIT, KIR and SKILL programs. House Bill 2435 provides a very flexible vehicle to create an effective program that will make good use of valuable State resources.

There are many cost effective ways of creating the job training loan assistance fund established by this bill. The simplest would be to appropriate the money to the fund. It is my understanding that such an appropriation is not in the Governor's recommended budget and would require careful consideration by the administration. Optional financing tools are available and could be cost effective; however, financing costs must be weighed against the benefits to determine their cost effectiveness.

Without going into detail, I would like to offer two possible alternatives to provide funds for this program. One would be to enter into a standby letter-of-credit (LOC) agreement with a financial institution, an institutional investor like a large insurance company or a corporate investor (i.e. G.E. Capital or Koch Financial). An annual appropriation could be established to build a reserve fund or, alternatively, offset any losses or repay money borrowed against the LOC if the reserve fund was insufficient. This LOC would only be called on in the event of a default that exceeded the reserve fund and could be repaid over a period of years, if necessary, to level out the effect an excessive loss would have on annual appropriations. There would be an annual cost associated with this LOC, but the cost compared to existing grants and other subsidies would be minimal.

Another alternative would be to issue bonds to fund this program. Interest earned on the fund would offset most, but not all, of the costs associated with the bond issue. This would be another way of effectively financing the program and extending the appropriation over a period of years. My analysis of the SKILL funding mechanism leads me to believe this program could be funded within the present parameters of the SKILL Program and additional annual appropriations would be minimal. And remember, the money in the fund will be free and clear once the bonds are repaid to continue the program at virtually zero cost of funds.

The Sallie Mae program presented would be an effective way to leverage State commitments to this program by four times. It also builds in some program costs deferment. Careful consideration should be given to the Sallie Mae program if it is determined that the demand for this loan assistance program exceeds the resources committed to the loan assistance fund.

As government faces tough spending decisions, House Bill 2435 demonstrates how creative legislation and financing can provide flexible and cost effective use of our limited resources. Please consider House Bill 2435 favorably.



DIVISION OF THE BUDGET

Room 152-E

State Capitol Building

Topeka, Kansas 66612-1504

(913) 296-2436

FAX (913) 296-0231

Bill Graves
GovernorGloria M. Timmer
Director

February 21, 1995

The Honorable Robert Miller, Chairperson
House Committee on Economic Development
Statehouse, Room 502-S
Topeka, Kansas 66612

Dear Representative Miller:

SUBJECT: Fiscal Note for HB 2435 by House Committee on
Education

In accordance with KSA 75-3715a, the following fiscal note
concerning HB 2435 is respectfully submitted to your committee.

HB 2435 would establish a job training loan assistance program
in the Department of Commerce and Housing. The program would allow
for loan guarantees, interest subsidies and other forms of
financial assistance to businesses for conducting workforce
training. The bill would establish a Job Training Assistance Loan
Assistance Fund subject to appropriation.

Specific uses for loans authorized under the program are
outlined in Section 1 of the bill. These include tuition and fees
for trainee participation, salaries of instructors, and training
materials, such as books and videos.

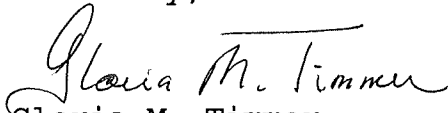
Estimated State Fiscal Impact				
	FY 1995 SGF	FY 1995 All Funds	FY 1996 SGF	FY 1996 All Funds
Revenue	--	--	--	--
Expenditure	--	--	--	\$46,000
FTE Pos.	--	--	--	1.0

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The Honorable Robert Miller, Chairperson
February 21, 1995
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Financing of the guarantee fund would be subject to appropriation. Administrative costs for implementing the program are estimated by the Department of Commerce and Housing to require 1.0 FTE position in the Workforce Training Program and related operating expenditures. It is assumed that an administrative cost of \$46,000 in FY 1996 would be financed from the Economic Development Initiatives Fund. As only 2.0 FTE positions currently exist in this area and they are responsible for a variety of other training programs, the new program could not be implemented within existing amounts included in *The FY 1996 Governor's Budget Report*.

Sincerely,


Gloria M. Timmer
Director of the Budget

2435