

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Barbara P. Allen at 3:30 p.m. on February 21, 1996 in Room 423-S of the Capitol.

All members were present except: Rep. King

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

Conferees appearing before the committee: Rich Bendis, President, KTEC  
Gary Sherrer, Secretary, KDOCH  
Randy Speaker, Housing Director, KDOCH

Others attending: See attached list

Chairperson Allen brought the Committee's attention to the fiscal notes that were passed regarding HB2878 - relating to tax incentives to improve property. The Committee will be working this bill tomorrow, Thursday, February 22.

HB2685 - regarding the tax credit revival was brought to the Committee's attention to work today by Chairperson Allen. She requested Lynne Holt to brief the committee. Lynne said there were some tax credits unused by Ad Astra and KVCI, that had expired due to being sunseted. The request was for these to be allowed to continue only for the purpose of the Sunflower Technology Fund.

Committee discussion followed. Rep. Wempe made a motion to pass the bill favorably with the amendment to add a performance measurement report annually. It was seconded by Rep. Packer. The motion passed.

Chairperson Allen brought the Committee's attention to HB2687 - expansion of the enterprise zone act. Gary Sherrer was recognized by Chairperson Allen to appear before the Committee with regard to a written request; it was signed by Secretary of Revenue, John LaFaver; and was previously asked for by Chairperson Allen. The one provision in question was the changes in Section I (a) - the ancillary support issue (Attachment 1).

Rep. Empson made a motion to adopt the second substitute language as amended by the new language, with needed technical amendment provided by Bob Nugent, Revisor. The motion was seconded by Rep. Packer. The motion carried.

Chairperson Allen brought the Committee's attention to HB3032 - KDFFA housing bonds available statewide. The Chairperson requested Lynne to give the Committee a brief update on the bill. The bill authorizes the Kansas Development Finance Authority to issue bonds for individuals and families in need of housing including single family mortgage revenue bonds provided by the mortgage revenue bond act of 1980. Now the only bonds that can be issued by the KDFFA are for elderly persons and individuals with low income.

Randy Speaker returned per Chairperson Allen's request to bring an update on the performance audit report (Attachment 2). Chairperson Allen read from the fiscal note to the committee that the agency believes that further staffing would be needed to implement the program within six months of enactment of the bill. KDFFA estimates the eventual addition of 2.5 positions, with an annual cost of \$70,000 to \$75,000 a year; however, the immediate impact of the legislation on receipts and expenditures would offset each other, as fee income from bond proceeds would be generated to cover the initial expenditures.

Rep. Toplikar made a motion to pass the bill favorably. It was seconded by Rep. Glasscock. The motion

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, Room 423-S  
Statehouse, at 3:30 p.m. on February 21, 1996.

carried.

Chairperson Allen announced that the Committee would meet tomorrow as they had one more bill to work.

The meeting was adjourned at 4:38 p.m.

The next meeting is scheduled for February 22, 1996.



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Office of the Secretary

**MEMORANDUM**

**TO:** Representative Barbara P. Allen  
Chair, House Economic Development Committee

**FROM:** John D. LaFaver,  
Secretary of Revenue 

**DATE:** February 21, 1996

**SUBJECT:** Ancillary Language

Secretary Sherrer and I have agreed to the following language to incorporate into the "ancillary support" definitions of House Bill 2687. We believe that with this language, tax credits would be better focused on those firms which would not expand in the absence of this incentive. Accordingly, the language relating to ancillary support should not reference a particular SIC code.

"A firm seeking a tax incentive under this subsection shall incorporate in its tax filing for the tax incentive a statement from the Secretary of Commerce and Housing which includes a finding by the Secretary that the job expansion incident to this tax incentive would not have occurred in the absence of the tax incentive."

Thank you for your consideration of this important matter.

*Economic Development  
February 21, 1996  
Attachment 1*

**TESTIMONY TO  
HOUSE SUBCOMMITTEE FOR ECONOMIC DEVELOPMENT**

**PRESENTED BY  
KANSAS DEPARTMENT OF COMMERCE & HOUSING  
RANDY L. SPEAKER, DIRECTOR OF HOUSING  
FEBRUARY 21, 1996**

"UPDATE ON ISSUANCE  
OF  
MRBs AND MCCs"

*Economic Development  
February 21, 1996  
Attachment 2*

THE FOLLOWING MATERIAL UPDATES INFORMATION PROVIDED IN PERFORMANCE AUDIT REPORT, "EXAMINING MORTGAGE ASSISTANCE PROGRAMS AT THE DEPARTMENT OF COMMERCE", DECEMBER 1991, NUMBER 92-35

**MRB**

- Sedgwick County is using a **Request For Proposal (RFP)** to select the bond counsel and the underwriter
- Origination fee, closing costs, and downpayment **assistance increased from four percent to five percent** of the principal amount of the mortgage loan
- **One-Fourth (1/4) of the one percent origination fee** is paid to the State of Kansas Housing Trust Fund

**MCC**

- Origination fees **reduced from two percent to one percent**
- Origination fees are no longer paid solely to the Administering Agency. Distribution as follows:
  - One-Half (1/2) to the State of Kansas Housing Trust Fund
  - One-Fourth (1/4) to the Issuer
  - One-Fourth (1/4) to the Administering Agency
- Sedgwick County, Shawnee County and Reno County **combined their issuances**
- **Low income families are being targeted**

\*\* Kansas City, Kansas is allocating \$8 million of 1994 carryforward MRBs that is not included in "Exhibit A"

## BOND DISTRIBUTION 1993 - 1995

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>3-Yr Total</u>
<b><u>Qualified Small Issue</u></b>				
Tax-exempt IRBs	\$ 16,490,00	\$ 50,206,00	\$ 51,511,675	\$118,207,675
Beginning Farmer Bonds	1,538,596	1,554,534	1,883,930	4,977,060
<b><u>Exempt-Facility Bond</u></b>				
Residential Rental	10,055,000	31,870,000	31,660,000	73,585,000
Waste Treatment & Other	24,500,000	31,325,000	29,600,000	85,425,000
<b><u>First-Time Homebuyers</u></b>				
MRBs and MCCs	<u>97,416,404</u>	<u>35,044,466</u>	<u>35,344,395</u>	<u>167,805,265</u>
TOTAL	\$150,000,000	\$150,000,000	\$150,000,000	\$450,000,000

# "EXHIBIT A"

KANSAS DEPARTMENT OF COMMERCE AND HOUSING  
TESTIMONY PRESENTED TO  
HOUSE SUBCOMMITTEE FOR ECONOMIC DEVELOPMENT  
FEBRUARY 19, 1996

	<u>\$ INVESTED</u>	<u># HOMEBUYERS</u>	<u># PERSONS</u>	<u>COUNTIES SERVED</u>
<u>HOME</u>	\$ 1,668,369	144	403	24
				Butler, Cowley, Crawford, Dickinson, Edwards, Finney, Ford, Geary, Grant, Jackson, Labette, Leavenworth, Montgomery, Morton, Reno, Republic, Riley, Rooks, Saline, Scott, Sedgwick, Seward, Sumner, and Wyandotte
<u>MCC</u>	\$ 68,705,909	1,198	3,353	45
				Atchison, Barton, Brown, Butler, Clark, Cloud, Comanche, Cowley, Crawford, Dickinson, Douglas, Ford, Franklin, Geary, Graham, Harvey, Jackson, Jefferson, Johnson, Kingman, Leavenworth, Lincoln, Lyon, McPherson, Marion, Miami, Montgomery, Nemaha, Neosho, Norton, Osage, Ottawa, Pawnee, Phillips, Reno, Riley, Rush, Saline, Sedgwick, Shawnee, Smith, Stafford, Washington, Wichita, and Wyandotte
<u>MRB</u>	\$ 46,765,000	850*	2,372	42
				Barton, Butler, Clay, Cloud, Cowley, Dickinson, Ellis, Ellsworth, Finney, Ford, Geary, Gray, Grant, Harvey, Haskell, Jackson, Kingman, Marion, McPherson, Mitchell, Morris, Osage, Osborne, Ottawa, Pawnee, Pottawatomie, Pratt, Reno, Rice, Riley, Rooks, Rush, Russell, Saline, Sedgwick, Seward, Shawnee, Sherman, Smith, Sumner, Wabaunsee, and Washington

\*Based on average loan amount of \$55,000





MRB INTERLOCAL COOPERATION AGREEMENTS

MRB PARTICIPATION – 1995

