

Approved: March 25, 1997  
date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on March 24, 1997 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Barone, Brownlee, Donovan, Feleciano, Gooch, Jordan, Ranson, Steffes, Steineger and Umbarger.

Committee staff present: Lynne Holt, Legislative Research Department  
Jerry Donaldson, Legislative Research Department  
Bob Nugent, Revisor of Statutes  
Betty Bomar, Committee Secretary

Conferees appearing before the committee:  
Representative Troy Findley  
Edward F. Miller, Executive Director, Atchison Housing Authority  
Andy Stierwalt, Executive Director, Salina Housing Authority  
Jerry Lammers, Managing Telecommunications Auditor/Analyst, Kansas  
Corporation Commission

Others attending: See attached list

Upon motion by Senator Barone, seconded by Senator Jordon, the Minutes of the March 21, 1997 Meeting were unanimously approved.

**HB 2050 - Moratorium on employment taxes extended**

The Chair informed the Committee **HB 2050** is identical to **SB 20** passed out of this Committee January 21, 1997, passed out of the Senate January 28, 1997, and presently residing in House Committee. Additional information has been supplied by Human Resources showing a Trust Fund Balance of \$620 Million and a projected balance for CY 1998 at \$478.2 Million. Attachment 1

The written testimony of Terry Leatherman, Kansas Chamber of Commerce and Industry, supporting **HB 2050** was distributed to members of the Committee. Attachment 2

Senator Barone moved, seconded by Senator Steffes, that **HB 2050** be reommeded favorable for passage. The voice vote was unanimous in favor of the motion.

**HB 2026 - Municipal housing authorities; rental deposits; interest**

Representative Troy Findley, testified in support of **HB 2026** which eliminates the requirement for municipal housing authorities to pay interest on security deposits due at the end of the tenancy held for tenants in municipally owned dwelling units. Attachment 3

Edward F. Miller, Executive Director, Atchison Housing Authority, testified in support of **HB 2026**. Mr. Miller stated Kansas Landlord and Tenant Act specifically requires a municipal housing authority to establish a schedule of tenant security deposits based on dwelling unit size, rather than monthly rent and to pay each tenant 5% interest per year on security deposit, payable upon termination of tenancy. Mr. Miller stated **HB 2026** eliminates current discrimination between municipal housing authorities and other assisted housing landlords who are not required to pay any interest on safety deposits. Attachment 4

Andy Stierwalt, Executive Director, Salina Housing Authority, appeared in support of **HB 2026**, allowing municipal housing authorities to streamline the settlement phase of "move outs". Attachment 5

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on March 24, 1997.

Senator Steineger moved, seconded by Senator Steffes that **HB 2026** be recommended favorable for passage. The recorded vote was in favor of the motion.

Senator Gooch moved, seconded by Senator Steineger that **HB 2026** be placed on the Consent Calendar. The voice vote was in favor of the motion.

**HB 2314 - Use of Kansas Universal Service Fund**

The Chair informed the Committee she had asked the Kansas Corporation Commission (KCC) to clarify who is eligible for subsidy from the Kansas Universal Service Fund (KUSF) under the KCC order, and the significance of the number of lines, whether in a business or a residence.

Jerry Lammers, Managing Telecommunications Auditor/Analyst, Kansas Corporation Commission, stated in rural Kansas, there are presently approximately 50,000 multi-line accounts and 55,000 single line accounts; with a 3% growth factor, there will be an increase of approximately 1500 multi-line accounts per year. Mr. Lammers state one-half of the rural accounts are served by Southwestern Bell, one-fourth by United and one-fourth by the other smaller independent local exchange carriers. Mr. Lammers advised the Federal Corporation Commission's order regulating the Universal Fund will be handed down May 8, 1997. The Federal-State Joint Board on Universal Service recommended no funding for any multi-line service, either residential or business.

Senator Steffes moved, seconded by Senator Umbarger that **HB 2314 be amended** on page 2, by striking the new language on lines 29, 30, 31 and 32, and inserting a new subsection (f) with the following language: "The commission shall not deny an application for supplemental or additional KUSF funding pursuant to subsection (e) solely on the basis that such application is to provide service to business customers with fewer than 10 lines or to any residential customers. The provisions of this section shall expire July 1, 1999. The motion failed on a show of hands: Yes - 4; No - 6.

Senator Steffes moved, seconded by Senator Jordon that **HB 2314 be amended** by inserting a section which reads as follows: "The provisions of this section shall expire July 1, 1999. The voice vote was unanimous in favor of the motion.

Senator Steffes moved, seconded by Senator Barone that **HB 2314 be recommended favorable for passage as amended**, Senator Ranson made a **Substitute motion that HB 2314 be tabled**, Senator Donovan seconded the Substitute motion. The Substitute motion prevailed on a show of hands: Yes - 6; No - 4.

The meeting adjourned at 9:00 a.m.

The next meeting is scheduled for March 25, 1997.

SENATE COMMERCE COMMITTEE GUEST LIST

DATE: March 24, 1997

NAME	REPRESENTING
Edward F. Miller	Atchison Housing Authority
Lucy Stierwalt	Salina Housing Authority
Terry Leatherman	KCCI
Christy Caldwell	Topeka Chamber of Commerce
Bill Grant	KCCI
Rob Hodges	Ks Telecom Assn.
John Pingan	SITA
Bill Sneed	SW Bell
Denny Kork	SW Bell
Katie Traudt	KGC

## UNEMPLOYMENT INSURANCE TRUST FUND

The Trust Fund Balance  
CY1994-1998

<u>CY</u>	<u>End of Year Fund Balance (\$Millions)</u>	<u>Benefits (\$Millions)</u>	<u>Contributions (\$Millions)</u>
1994	723.8	165.7	176.5
1995	692.4	149.6	54.9
1996	640.9	147.9	34.3
1997(est.)	564.7	143.0	25.8
1998(est.)	478.2	149.0	26.6

- A moratorium on unemployment taxes for 1995 and 1996 was enacted by the 1995 Legislature; the moratorium was extended to 1997 by the 1996 Legislature.
- A safety feature is in place to protect the fund. Had the trust fund been reduced to \$452.0M in 1996, the moratorium would have been removed for 1997.
- It is estimated that the trust fund must be at or above \$474.6 in 1997 for the moratorium to be in effect for CY1998.
- The moratorium reduced the rate for the majority of Kansas employers; approximately 45,000, to 0.00 per cent. The rate for new employers; approximately 11,000, was set at 1.00 per cent.
- The moratorium extension reduced rates for negative balance employers; approximately 3,400, to a range of 1.1 to 6.0 per cent.

Insured and Total Unemployment Rates  
CY1994-1998

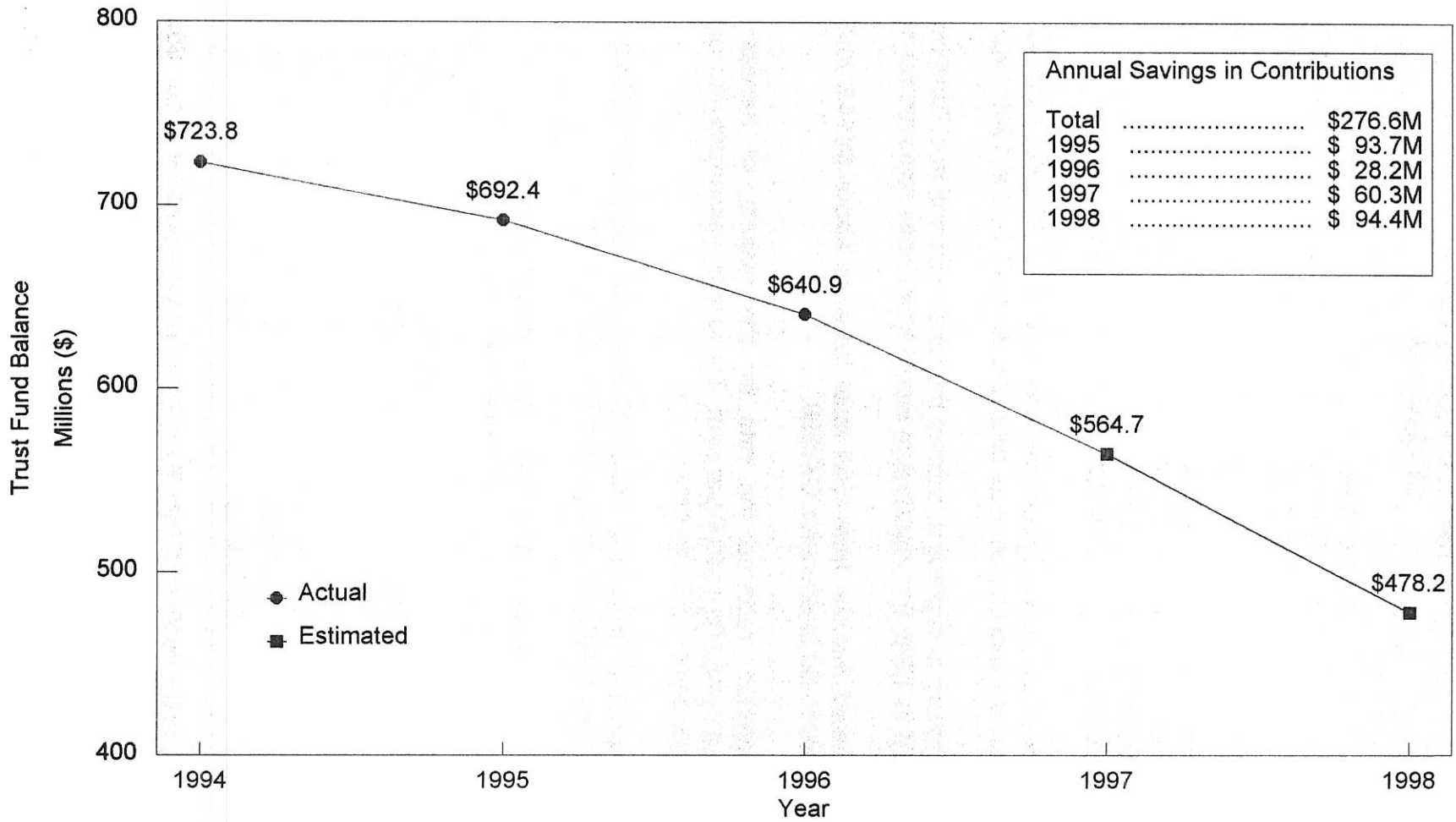
<u>Year</u>	<u>Insured Rate</u>	<u>Total Rate</u>
1994	1.7	5.3
1995	1.4	4.4
1996(prelim.)	1.4	4.5
1997(est.)	1.3	4.0
1998(est.)	1.3	4.1

- It was originally estimated that the fund balance would be about \$500.0M at the end of 1997. The revised estimate is \$564.7M, based on a 1.3 per cent insured unemployment rate.

*Senate Commerce Committee  
March 24, 1997*

*Attachment 1-1 thru 1-2*

**Recent History of the Trust Fund Balance**  
**End of CY 1994 - 1996 and Estimated CY 1997 - 1998**  
**With Moratorium in 1998**



2-1

# LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732

HB 2050

March 24, 1997

## KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the  
Senate Committee on Commerce

by  
Terry Leatherman  
Executive Director  
Kansas Industrial Council

Madam Chairperson and members of the Committee:

My name Terry Leatherman. I am the Executive Director of the Kansas Industrial Council, a division of the Kansas Chamber of Commerce and Industry. Thank you for this opportunity to express KCCI's enthusiastic support for HB 2050.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Permit me to explain three points why the Kansas Chamber feels prompt legislative action to extend the unemployment compensation tax moratorium through 1998 is appropriate.

First, the Legislature's recognition and action to reduce unemployment taxes has had a positive impact for Kansas employers. According to analysis performed by the Governor's office, the unemployment tax moratorium will have kept nearly \$375 million in otherwise spent tax dollars in the

*Senate Commerce Comm.  
March 24, 1997  
Attachment 2-1 thru 2-2*

pc .s of Kansas employers through fiscal year 1997. There is little doubt these uncollected t  
have been better spent in the private sector than being deposited in the very solvent unemployment  
benefits Trust Fund. In many instances, these dollars have instead been used on job creation and  
expansion, equipment improvement and technology upgrades, and debt retirement.

Second, while the merits of the moratorium's past is clear, the key to extending it further is the  
solvency of the Kansas Employment Security Trust Fund, that employer financed pot of dollars  
where unemployment benefits are paid. After two years of the moratorium, the condition of the Trust  
Fund borders on amazing. KCCI and the Kansas Department of Human Resources both predicted  
the Trust Fund balance would be around \$500 million when testifying before this Committee in 1995  
on the expected effect of the original two year moratorium. Instead, the Trust Fund began 1997 with  
a balance of nearly \$640 million.

By all measures of Trust Fund adequacy, the Kansas Fund remains one of the best stocked in  
the country. The current Fund balance would pay unemployment benefits at last year's level for four  
years, and has enough revenue to pay "worst case scenario" unemployment for nearly a year and a  
half.

A final point regarding HB 2050 is KCCI's resolve to closely monitor the condition of the Trust  
Fund to assure that dollars will be there for individuals deserving unemployment benefits. The tax  
moratorium is intoxicating. However, KCCI understands that this program can't last forever. We  
plan to keep up our member education that the moratorium is a temporary recognition of adequate  
Trust Fund reserves. In the future, KCCI will ask the Legislature to resume unemployment taxes at  
the lower level established in the original moratorium, in order to maintain the integrity of the Kansas  
Employment Security Trust Fund, and in the desire to avoid shockingly high unemployment taxes on  
a business community.

Thank you for the opportunity to present why the Kansas Chamber supports passage of  
HB 2050. I would be happy to answer any questions.

**TROY FINDLEY**  
REPRESENTATIVE, FORTY-SIXTH DISTRICT  
1741 W 19  
LAWRENCE, KS 66046  
(913) 749-1259  
LEGISLATIVE ADDRESS  
ROOM 272-W  
(913) 296-7650  
STATE CAPITOL  
TOPEKA, KS 66612-1504



TOPEKA

HOUSE OF  
REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
MEMBER: FEDERAL & STATE AFFAIRS  
FINANCIAL INSTITUTIONS  
TAXATION

## Testimony in Support of House Bill 2026

Chairperson Salisbury and members of the Senate Commerce Committee:

I greatly appreciate this opportunity to appear before you today to testify in support of HB 2026.

House Bill 2026 was introduced by members of the Douglas County Legislative Delegation at the request of Barbara Huppee, Director of the Lawrence Housing Authority.

House Bill 2026, if enacted, would amend current law by eliminating the requirement for Municipal Housing Authorities to pay interest on security deposits due at the end of the tenancy held for tenants in municipally owned dwelling units. House Bill 2026 seeks to treat Municipal Housing Authorities like private landlords, who are not subject to the same interest payment requirements on security deposits.

I have attached a copy of the fiscal note for House Bill 2026. The fiscal note concludes there is no fiscal impact on state operations.

HB 2026 was passed out of the House Business, Commerce and Labor Committee and placed on the House Consent Calendar. Subsequently, the House approved HB 2026 on a Final Action vote of 123 to 0, on February 24th.

Thank you again for the opportunity to present testimony in support of HB 2026. I would respectfully request the committee to take favorable action on this bill.

I would be pleased to stand for questions.

*Senate Commerce Committee  
March 24, 1997  
Attachment 3-1 thru 3-2*



STATE OF KANSAS



DIVISION OF THE BUDGET  
Room 152-E  
State Capitol Building  
Topeka, Kansas 66612-1504  
(913) 296-2436  
FAX (913) 296-0231

Bill Graves  
Governor

Gloria M. Timmer  
Director

January 28, 1997

The Honorable Al Lane, Chairperson  
House Committee on Business, Commerce & Labor  
Statehouse, Room 115-S  
Topeka, Kansas 66612

Dear Representative Lane:

SUBJECT: Fiscal Note for HB 2026 by Representatives Findley, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2026 is respectfully submitted to your committee.

HB 2026 amends existing law by eliminating the requirement for municipal housing authorities to pay interest on security deposits due at the end of the tenancy held for tenants in municipally owned dwelling units. Other amendments are technical.

There is no fiscal impact on state operations.

Sincerely,

A handwritten signature in cursive script that reads "Gloria M. Timmer".

Gloria M. Timmer  
Director of the Budget

cc: League of Municipalities  
Association of Counties  
Neil Woerman, Attorney General's Office  
Sherry Brown, Commerce & Housing

**TESTIMONY BEFORE THE SENATE COMMERCE COMMITTEE**  
by Edward F. Miller, Executive Director, Atchison Housing Authority

in support of

**HOUSE BILL 2026**

**March 24, 1997**

Good morning Senator Salsbury and members of the Commerce Committee.

My name is Edward Miller. I am the Executive Director of the Atchison Housing Authority. I want to thank the Committee for this opportunity to provide testimony in support of House Bill 2026.

The Atchison Housing Authority is a municipal housing authority that was created under Kansas Municipal Housing Law (K.S.A. 17-2337 through 17-2365). Section 58-2550 of the Kansas Landlord and Tenant Act specifically requires a municipal housing authority that chooses to establish a schedule of tenant security deposits based on dwelling unit size, rather than monthly rent, to pay each tenant 5% interest per year on their security deposit, payable upon termination of tenancy.

House Bill 2026 would delete this requirement from the Landlord and Tenant Act. I support this bill for two basic reasons:

1. The 5% interest requirement is not equitable with the interest rate the housing authority is able to receive on the deposit.

Because the landlord/tenant relationship may be terminated with 30 days notice and the landlord must, under most circumstances, return the security deposit to the tenant no later than 30 days after the dwelling unit is vacated, the housing authority must invest the security deposit in a liquid account, such as a passbook savings account. The highest passbook interest rate available in Atchison, at this time, is 3.25%.

2. A municipal housing authority is the only landlord in the State of Kansas, including any other assisted housing landlord, required by law to pay interest, if the agency demands a reasonable security deposit.

*Senate Commerce Committee*  
*March 24, 1997*

*Attachment 41 thru 3*

**TESTIMONY OF EDWARD F. MILLER (Page 2.)**

Establishing security deposits based solely on a tenant's monthly rent creates some inherent problems for public housing agencies. PHAs calculate a families share of the rent and utilities at 30% of their adjusted gross income, with a minimum family contribution between \$ 25 and \$ 50 per month, as established by each local agency. When a PHA asks for only one month's rent as a security deposit, the agencies extremely low-income tenants may not be required to pay any actual rent or security deposit to the agency. These cases leave the PHA in situations where the agency may need to go to Court to collect even minimal damage charges. Often the administrative costs of attempting to collect these charges out weigh the charges involved. When these charges are "written off" as bad debt, the Federal tax payer is footing the bill.

Conversely, families with incomes near the upper levels of the eligible income ranges, also paying 30% of their income for rent and utilities, may be required to pay abnormally high security deposits, when one month's rent is used to establish the deposit. For example: a single person with an income of \$ 1,500 per month could be asked to pay \$ 450 as a security deposit, regardless of the size of the dwelling unit.

In my opinion, it simply makes more sense for a public housing agency to establish reasonable standard security deposits for their units.

The Atchison Housing Authority has established such a schedule, by dwelling unit size. We collect deposits of \$ 100 for an efficiency unit, \$ 125 for a 1 bedroom unit, \$ 150 for a 2 bedroom unit and \$ 175 for a 3 bedroom unit. We have 190 public housing dwelling units and are holding an average security deposit of approximately \$ 130 per unit. This practice provides some measure of financial protection for both the housing authority and those upper-level lower-income families we serve.

Other assisted housing landlords, such as in the Section 8 program, may demand a security deposit of up to one month's contract rent, as allowed by Federal law. For example: if the landlord will be paying all of the utilities for the dwelling unit, the basic security deposit could be as much as \$ 378 for a 2 bedroom unit in Atchison County, based on the current Fair Market Rent (FMR) established by the U.S. Department of Housing and Urban Development (HUD). The Atchison Housing Authority could be subsidizing

**TESTIMONY OF EDWARD F. MILLER (Page 3.)**

up to \$ 328 of the families monthly rent and utilities, depending on family income, which is the same potential subsidy the family would receive in public housing, yet the Section 8 landlord is not required to pay interest on the security deposit. This disparity between the legal requirements regarding security deposits for various assisted housing landlords no longer makes practical sense, in my opinion. One can surmise that public housing programs were the only assisted housing programs available in the State, when this Law was written many years ago. Public housing now, however, represents less than one half of the total assisted housing in Kansas.

As a proponent of this bill, I respectfully urge the Committee to approve moving the measure to the Senate floor for consideration.

Again, thank you very much for this opportunity to speak on this issue. I will be happy to entertain any questions Committee Members may have on the subject.

Respectfully submitted,



Edward F. Miller  
Executive Director  
Atchison Housing Authority

# SALINA HOUSING AUTHORITY

POST OFFICE BOX 1202  
SALINA, KANSAS 67402-1202

469 SOUTH 5th STREET  
PHONE: (913) 827-0441



March 24, 1997

In support of Bill #2026

Kansas Residential Landlord And Tenant Act 58-2550a, requires municipal housing authorities pay 5% interest on security deposits of clients. This discriminatory act to housing authorities in general works to lessen the amount of affordable housing which may be provided.

This bill if passed will allow municipal housing authorities to streamline the settlement phase of move outs significantly.

Please Pass Bill 2026!

Thank you.

Respectfully,

A handwritten signature in cursive script, appearing to read "Andy Stierwalt".

Andy Stierwalt, Exec.Dir.SHA

*Senate Commerce Committee  
March 24, 1997*

*Attachment 5*