

Approved: March 7, 2000
Date

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on March 3, 2000 in Room 123-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee:

Steve Kelly, Kansas Department of Commerce and Housing
Jim Janousek, Kansas Department of Commerce and Housing

Others attending: See attached list

HB 2832 - Kansas economic opportunity initiatives fund: additional reporting requirements

Steve Kelly, Kansas Department of Commerce and Housing (KDOCH), testified **HB 2832** requires the five member panel charged with reviewing the projects funded by KEOIF to report its findings to the Chair of the House Economic Development Committee, and the Chair of the Senate Commerce Committee. Current law requires a five member panel consists of the Secretary of KDOCH, the president of Kansas, Inc., the president of KTEC, the private sector chair of the board of Kansas, Inc., and the private sector chair of KTEC, to review annually the propriety of projects funded by KEOIF and report its findings to the Governor. KDOCH has not called a meeting of the panel to review the propriety of projects funded by KEOIF since the 1996 law took effect. This was an oversight by the department.

HB 2832 also expands the use of KEOIF funds to include "substantial reduction" of a major federal or state institution or facility.

Mr. Kelly testified the 1996 bill relating to KEOIF gave the Secretary of Commerce and Housing the authority to certify issuance of warrants when an economic emergency or an opportunity exists for securing economic benefits or avoiding economic losses. The five member panel, previous to this legislation, was required to certify the issuance of warrants by a majority vote.

Senator Ranson moved, seconded by Senator Barone that HB 2832 be amended at Page 3, on Line 1 following the word "shall" by inserting the words "submit a written"; on Line 2, strike the words "the chair of", on Line 3, strike the word "the chair of", and at the end of the sentence insert the following: ", the joint committee on economic development". The voice vote was unanimous in favor of the motion.

Senator Barone moved, seconded by Senator Jordan, that HB 2832 be recommended favorably for passage as amended. The recorded vote was unanimous in favor of the motion.

A response from KDOCH to questions asked previously by the Chair regarding the state's investment in rural areas and the housing needs in small and medium-sized communities was distributed to the Committee. Jim Janousek reviewed the material which shows that of the funds available at the state level, 51.1% has been awarded to rural areas of the state. The rural population is approximately 39% of the state population. The information also reflects that since 1994 there has been a shift in the Housing Tax Credit Program from urban to rural, and that 58% of the monies available are spent in the rural areas. There are sixty-five counties participating in the First Time Homebuyer Assistance Program. Mr. Janousek reviewed the 1999 Mortgage Revenue Bond, as well as the Mortgage Credit Certificate

CONTINUATION SHEET

program which has provided funding in 45 counties for first time homebuyers. (Attachment 1)

In response to a question posed by Senator Gooch Mr. Janousek stated the Community Block Grant that goes directly to urban counties is not reflected in the information provided by KDOCH.

Senator Jordan moved, seconded by Senator Barone, that the Minutes of the March 1, 2000 Meeting be approved. The vote was unanimous in favor of the motion.

The meeting was adjourned at 9:00 a.m.

The next meeting is scheduled for March 7, 2000.

KANSAS

DEPARTMENT OF COMMERCE & HOUSING



March 2, 2000

Bill Graves, Governor
Gary Sherrer, Lt. Governor / Secretary

The Honorable Alicia Salisbury
Room 120-S
State Capitol
Topeka, Kansas 66612

Dear Senator Salisbury:

You requested information regarding our investment in rural areas and, more specifically, how we can address housing needs in small and medium-sized communities. Attached is a summary of the percentage of our grants that were distributed to rural areas in FY98 and FY99. For the purposes of this exercise, we defined "rural" as a community of 25,000 or less. We also excluded communities of that size, which are suburbs of metropolitan areas in Sedgwick, Johnson, Douglas, Shawnee and Wyandotte's counties.

Also included are several charts that depict the distribution of our housing program dollars. One of our largest federal grant programs, HOME, is dedicated to the smaller communities by definition, since cities over 50,000 receive these federal dollars directly. (Note that the charts related to housing use the 50,000 threshold, as opposed to the 25,000 that we used for all programs.) The chart entitled "Housing Tax Credit Program" illustrates rather dramatically the emphasis this administration has placed on increasing housing opportunity in rural areas. By all measures, we have successfully shifted the majority of these resources to the smaller communities. As you can see, the emphasis in FY94 was decidedly urban.

We believe we have also been quite successful in devoting substantial economic development resources to rural areas. As shown on the first table, 51% of our grants and tax credits go to rural areas. We also calculated the percentage excluding tax credits and excluding tax credits and IMPACT. IMPACT has a heavily urban bias because it is, by definition, used for major projects that will only be found in urban areas. KEOIF carries some of the same predisposition to urban areas, and we can do little to influence the direction of these dollars, since it is ultimately the company that decides where to locate.

When you consider that approximately 30% of our population is rural (using the same definition that we did for the table that depicts all grant programs) according to the 1990 census, the fact that fully one-half of our resources are benefiting that population is

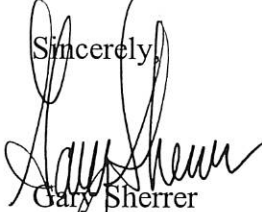
Senate Commerce Committee
Date: 3-03-00

Attachment # 1-1 thru 1-10

somewhat remarkable. But it is not accidental. I can assure you that we have made every effort to insure that our dollars are not monopolized by a few counties, but are available to meet needs throughout the state.

Please let me know if you would like additional information or if any of the material that we are sending needs further clarification.

Sincerely,



Gary Sherrer
Lt. Governor/Secretary

Cc: Senate Commerce Committee

Encl.

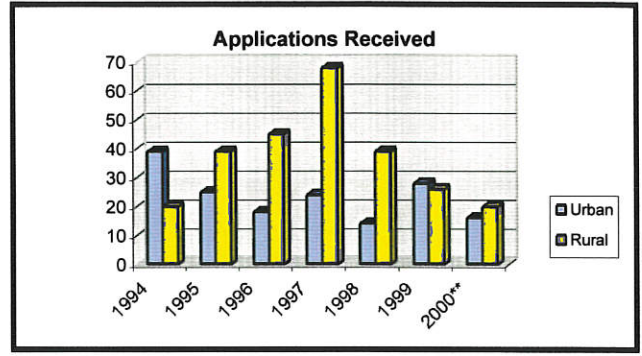
URBAN/RURAL DISTRIBUTION OF COMMERCE AND HOUSING GRANTS

FY1998 and FY1999

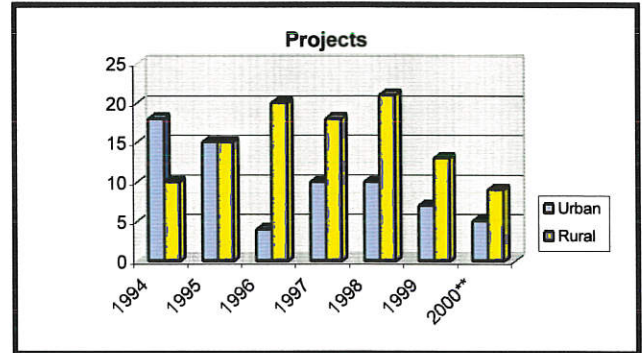
	RURAL	TOTAL	Percent Rural	Funding Source
Kansas Existing Industry Expansion Program	\$ 1,259,000	\$ 1,568,000	80.3%	EDIF
Kansas Economic Opportunity Initiatives Fund	\$ 1,354,000	\$ 5,285,000	25.6%	EDIF
IMPACT	\$ 1,500,000	\$ 47,808,021	3.1%	IMPACT
KIT/KIR	\$ 2,530,149	\$ 6,990,123	36.2%	EDIF
Training Equipment Grants	\$ 274,341	\$ 512,676	53.5%	EDIF
Community Development Block Grants				
Economic Development	\$ 6,443,750	\$ 7,443,750	86.6%	Federal
Community Improvement	\$ 22,955,601	\$ 33,830,709	67.9%	Federal
Urgent Need	\$ 1,153,758	\$ 1,153,758	100.0%	Federal
Housing	\$ 5,396,420	\$ 5,396,420	100.0%	Federal
Comprehensive Development	\$ 7,069,842	\$ 7,696,842	91.9%	Federal
Small Town Environment Program	\$ 369,299	\$ 369,299	100.0%	Federal
Capacity Building	\$ 152,500	\$ 285,000	53.5%	EDIF
Mainstreet Development	\$ 312,047	\$ 461,139	67.7%	EDIF
Community Services Tax Credits	\$ 6,171,365	\$ 10,000,000	61.7%	Tax Credit
HOME	\$ 6,461,804	\$ 7,634,150	84.6%	Federal
Rental Housing, including tax credits	\$ 91,649,269	\$ 168,253,098	54.5%	Tax Credit
Housing Supportive Services	\$ 7,775,293	\$ 14,341,089	54.2%	Federal
Trade Show Assistance	\$ 120,642	\$ 290,162	41.6%	EDIF
Tourism Grants	\$ 451,499	\$ 919,910	49.1%	EDIF
Agriculture Value Added	\$ 657,969	\$ 812,969	80.9%	EDIF
TOTAL	\$ 164,058,548	\$ 321,052,115	51.1%	
TOTAL (Excluding Tax Credits)	\$ 66,237,914	\$ 142,799,017	46.4%	
TOTAL (Excluding Tax Credits and IMPACT)	\$ 64,737,914	\$ 94,990,996	68.2%	
TOTAL (EDIF)	\$ 7,112,147	\$ 17,124,979	41.5%	

Housing Tax Credit Program Rural and Urban Comparison

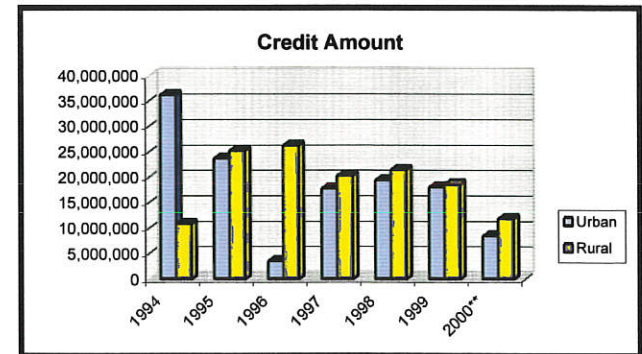
Applications Received					
Year	Urban	%	Rural	%	Total
1994	39	66%	20	34%	59
1995	25	39%	39	61%	64
1996	18	29%	45	71%	63
1997	24	26%	68	74%	92
1998	14	26%	39	74%	53
1999	28	52%	26	48%	54
2000**	16	44%	20	56%	36
Total	164	39%	257	61%	421



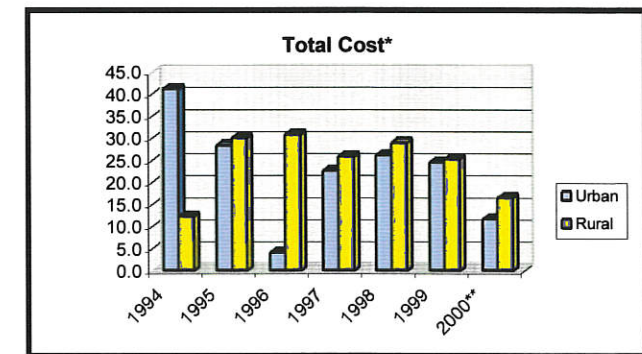
Projects					
Year	Urban	%	Rural	%	Total
1994	18	64%	10	36%	28
1995	15	50%	15	50%	30
1996	4	17%	20	83%	24
1997	10	36%	18	64%	28
1998	10	32%	21	68%	31
1999	7	35%	13	65%	20
2000**	5	36%	9	64%	14
Total	69	39%	106	61%	175



Credit Amount					
Year	Urban	%	Rural	%	Total
1994	36,126,030	77%	10,790,880	23%	46,916,910
1995	23,668,610	49%	25,119,270	51%	48,787,880
1996	3,448,200	12%	26,129,120	88%	29,577,320
1997	17,744,570	47%	20,269,250	53%	38,013,820
1998	19,370,270	47%	21,419,640	53%	40,789,910
1999	18,012,590	49%	18,561,540	51%	36,574,130
2000**	8,366,590	42%	11,781,630	58%	20,148,220
Total	126,736,860	49%	134,071,330	51%	260,808,190



Total Cost* (in millions)					
Year	Urban	%	Rural	%	Total
1994	41.2	77%	12.3	23%	53.5
1995	28.4	49%	30.1	51%	58.5
1996	4.1	12%	30.8	88%	34.9
1997	22.6	47%	25.8	53%	48.4
1998	26.1	47%	29.0	53%	55.1
1999	24.6	49%	25.3	51%	49.9
2000**	11.7	41%	16.5	59%	28.2
Total	158.7	48%	169.8	52%	328.5



* Approximate

** Partial Year

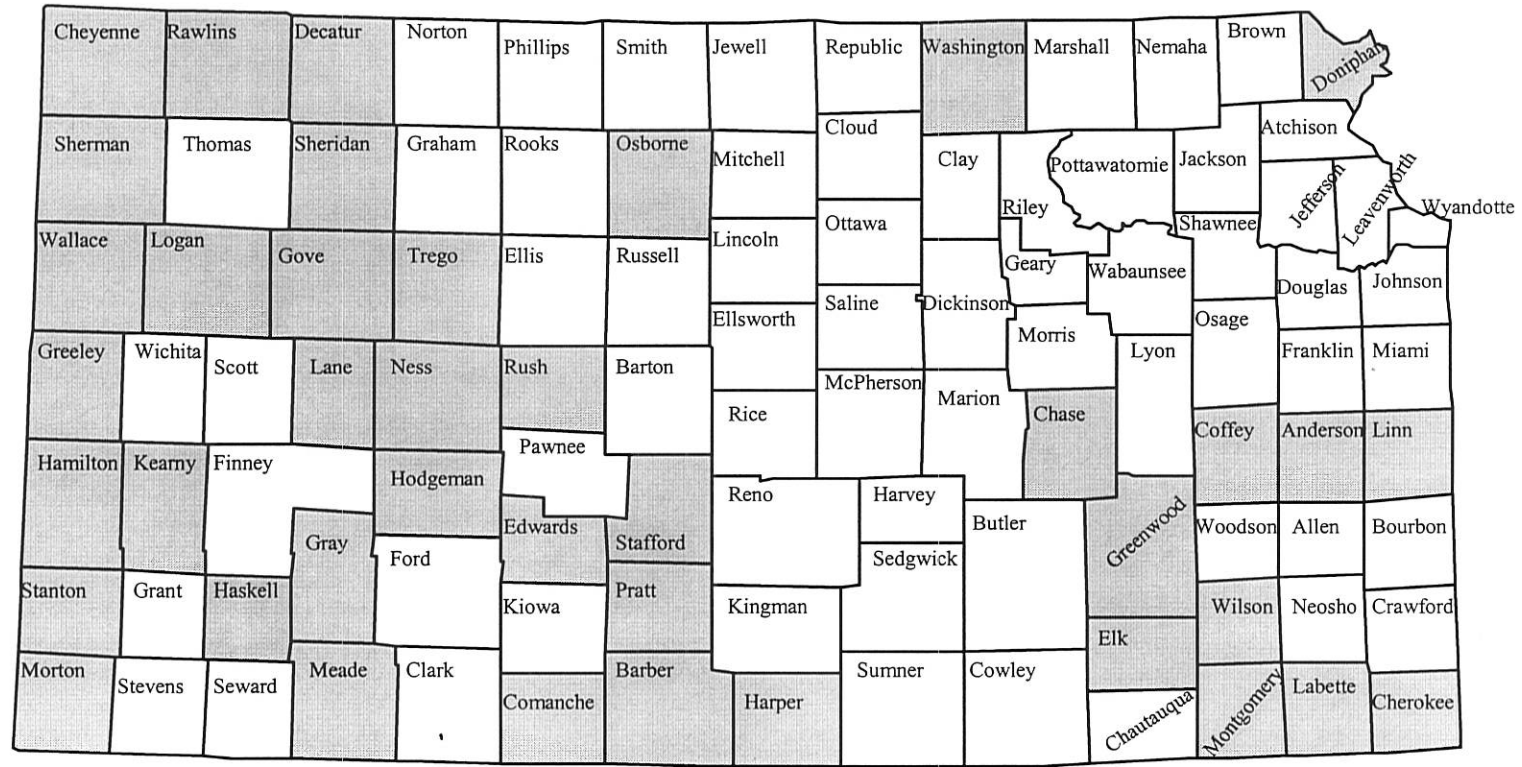
**Kansas Department of Commerce & Housing
HOME Program Demographics
For Closings 1993 through 1999***


<i>Program Year</i>	Percentage of Median Income Categories				<i>Total</i>
	<i>0-30</i>	<i>31-50</i>	<i>51-60</i>	<i>61-80</i>	
1993	5	29	39	47	120
1994	4	50	43	59	156
1995	9	68	62	79	218
1996	1	42	60	90	193
1997	1	22	53	122	198
1998	1	29	61	133	224
1999*	0	18	33	43	94
<i>Subgrantees:</i>					
Independence	0	3	1	4	8
Liberal	0	0	0	0	0
Parsons	0	3	2	7	12
Mitchell	1	6	5	4	16
Totals	22	270	359	588	1239
Percentages	2%	22%	29%	47%	100%

*As of 2-25-00

Counties Not Receiving Recent First Time Homebuyer Assistance

40 Counties (38.09%)

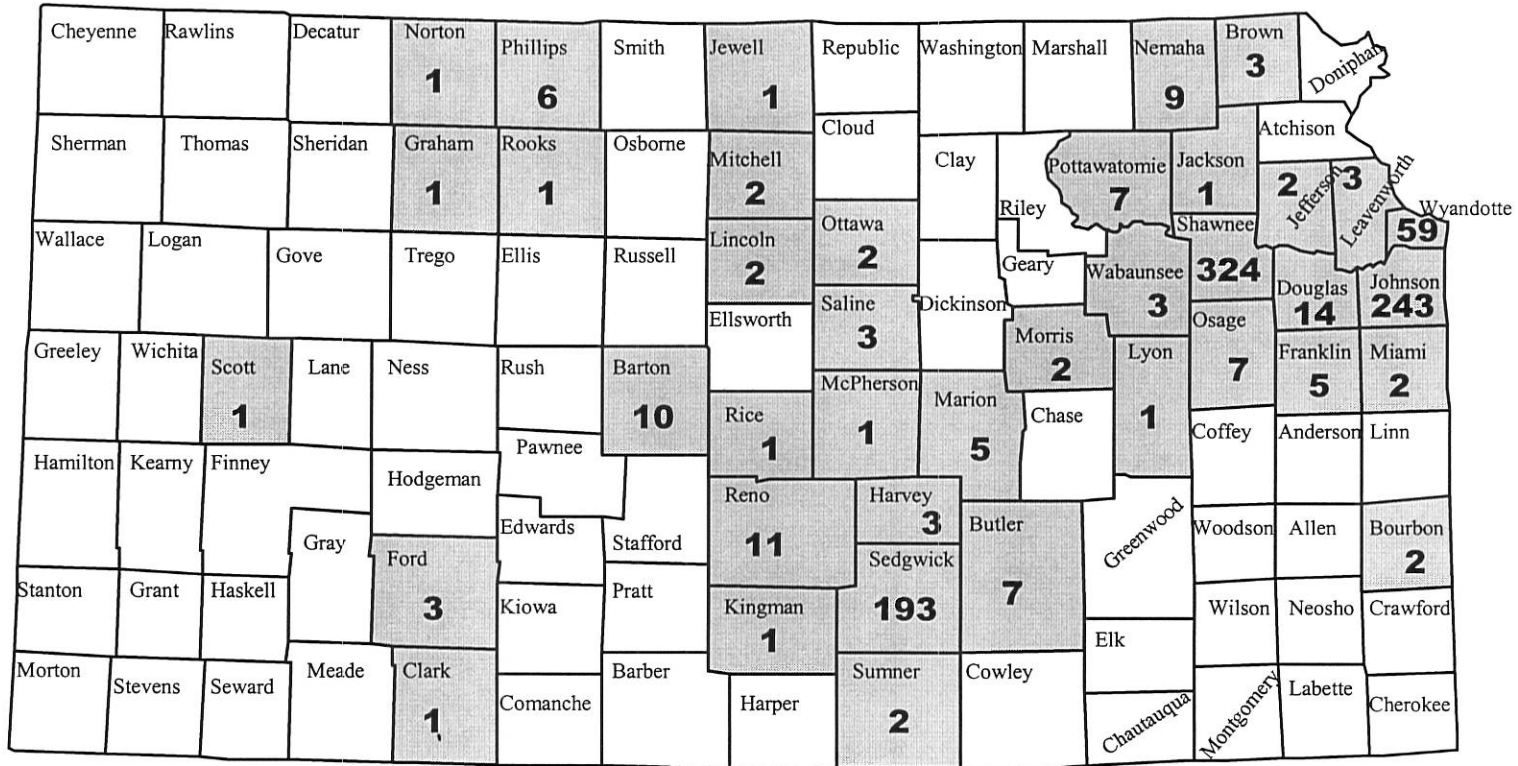


 Counties That Have Not Received Assistance From MCC, MRB, or HOME FT HB Programs

1997-1999 Kansas Mortgage Savers Programs (Mortgage Credit Certificates)

39 Counties (37.14%)

(Number of Loans April 1, 1997, through October 8, 1999)



Number of Loans

Participating Counties

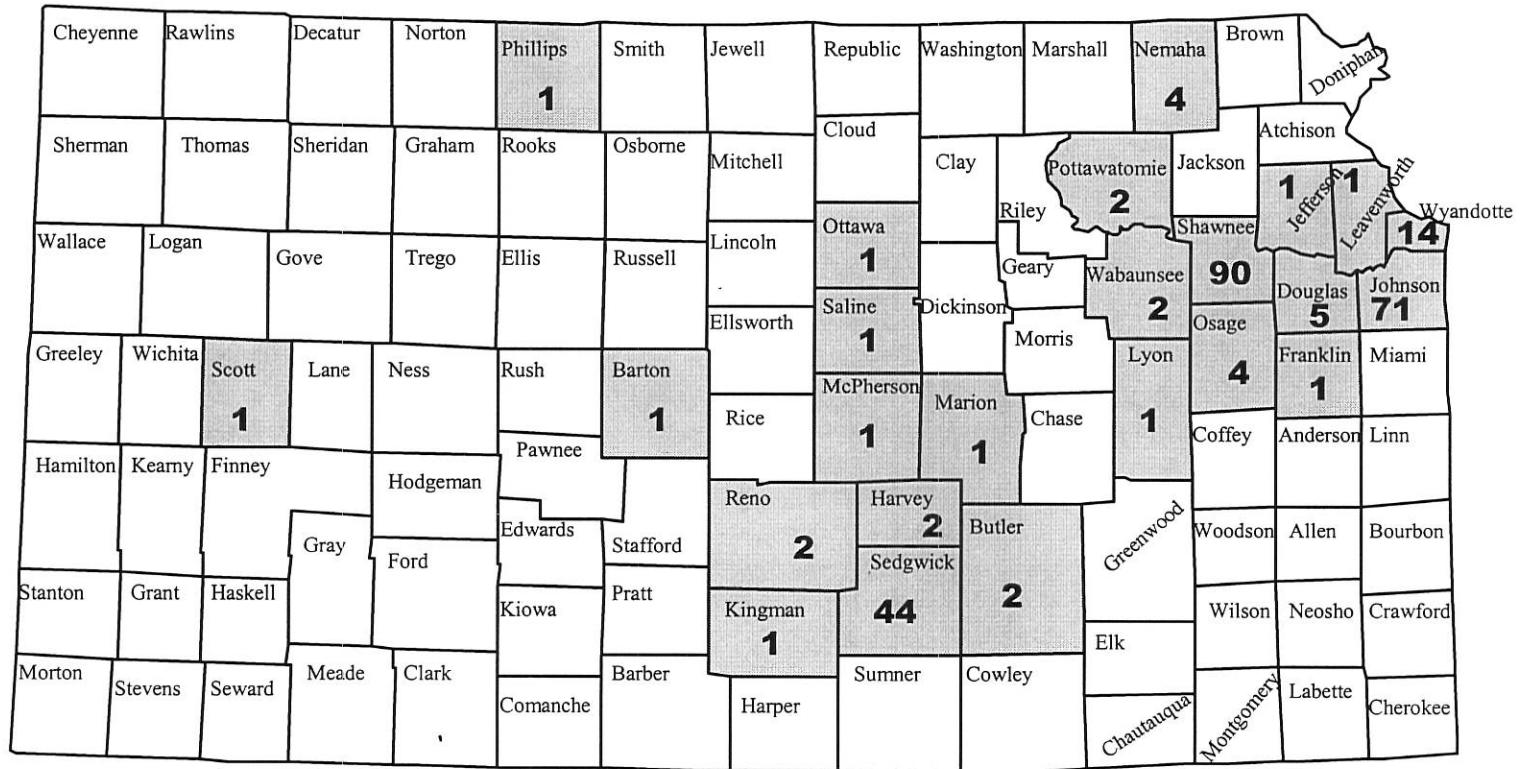
Number inside = # of Loans

Information provided by Sedgwick County, Kansas, Division of Finance

1999 Kansas Mortgage Savers Programs (Mortgage Credit Certificates)

24 Counties (22.85%)

(Number of Loans January 1, 1999, through October 8, 1999)



Number of Loans

Participating Counties

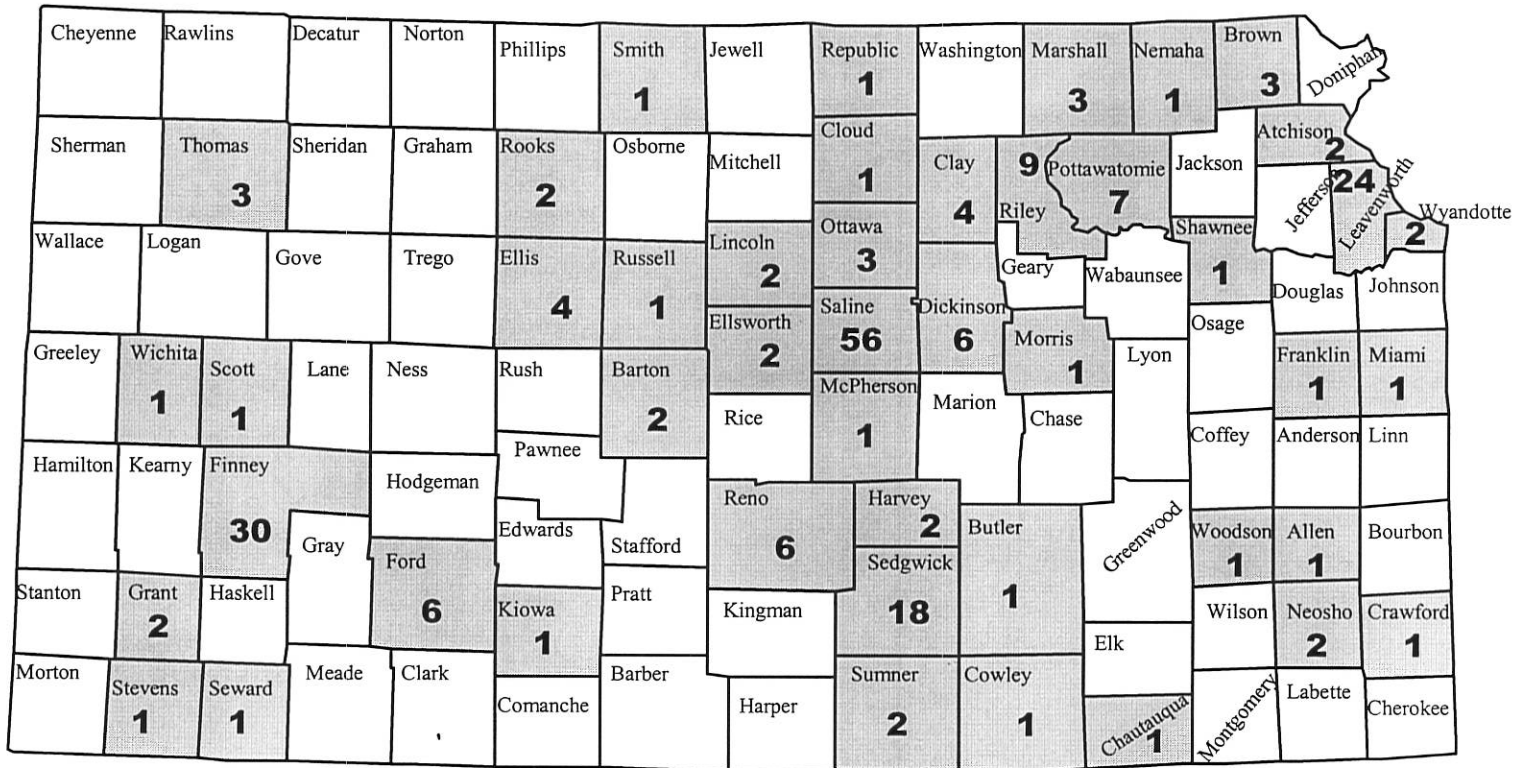
Number inside = # of Loans

*Information provided by Sedgwick County,
Kansas, Division of Finance*

FY 98 HOME First Time Homebuyer Program Home Locations

45 Counties (42.85%)

(Number of Loans July 1, 1998, through June 30, 1999)



Number of Loans

Participating Counties
 Number inside = # of Loans

Information provided by the Department of Commerce & Housing, Housing Development Division