

Approved February 26, 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 25, 1992 in room 123-S of the Capitol.

All members were present except:

Senator Marge Petty (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:

Marty Bloomquist, Kansas Development Finance Authority
Jerry Lonergan, Department of Commerce

S.B. 643 - KDFA, reports to the legislature and governor

Marty Bloomquist spoke in support of S.B. 643 and explained the bill (Attachment 1). The bill would consolidate two semi-annual reports, due January 31 and July 31 into the annual report, which is due November 30. Ms. Bloomquist noted that this would result in a savings of \$500 per year in printing costs and also save 24 hours of staff time.

S.B. 682 - Amending the Kansas private activity bond allocation act

Jerry Lonergan explained the provisions of S.B. 682 (Attachment 2). The bill would conform the Kansas Private Activity Bond Allocation Act to the federal sunset dates.

Senator Feleciano moved that S.B. 682 be recommended favorably. Senator Vidricksen seconded the motion, and the motion carried.

Senator Oleen moved that S.B. 643 be recommended favorably for passage. Senator Moran seconded the motion, and the motion carried.

The meeting adjourned at 8:20. The next meeting of the Committee will be Wednesday, February 26, 1992.



KANSAS

KANSAS DEVELOPMENT FINANCE AUTHORITY

Joan Finney
Governor

MEMORANDUM

DATE: February 24, 1992

TO: Senate Committee on Economic Development

FROM: Marty Bloomquist, Kansas Development Finance Authority

SUBJECT: Testimony on Senate Bill 643 - Concerning Reports of the Kansas Development Finance Authority - 8:00 a.m., February 23, 1992, Room 123 South, Statehouse

Senate Bill 643 consolidates K DFA's two semi-annual reports on projects and the annual report, into one annual report. Currently K DFA is required to submit the semi-annual reports to the Governor and Legislature by January 31st and July 31st. The annual report is due by November 30th. Most of the information in the semi-annual reports is repeated in the annual report.

The semi-annual reports cost approximately \$1 per copy to print. Two hundred and fifty (250) copies are printed each time a report is produced at an estimated annual cost of \$500. K DFA could save at least \$500 per year in printing costs if the two semi-annual reports were eliminated.

The staff time involved in preparation of each semi-annual report is estimated at 12 hours. This estimate includes one hour of the president's time, one hour of the senior accountant's time, two hours of the program manager's time, one hour of the office assistant's time and eight hours of the executive secretary's time. K DFA has a seven person staff, so the fact that this change frees up 24 personnel hours per year is significant.

MAB:dc

cc: Bill Caton, Acting President, K DFA

Senate Economic Development Committee

February 25, 1992

Testimony on Senate Bill No. 682

Presented by

Kansas Department of Commerce

Jerry Lonergan
Director, Existing Industry Development Division

Attachment 2
2/25/92
Sen. Eco. Dev.

TESTIMONY ON
SENATE BILL 682

The Federal Government, in an effort to spur economic development, has allowed the states a limited amount of authority for the issuance of federally tax-exempt Private Activity Bonds (PABs). Kansas, on an annual basis, receives \$150 million of authority which the state then allocates for use on a variety of qualifying activities. The Kansas Department of Commerce, as mandated by K.S.A. 74-5060, is responsible for the allocation of the Kansas private activity bond authority to qualified issuers which are local units of government and certain state agencies. Qualifying uses of this authority under federal tax code include, but are not limited to the following: industrial development bonds, beginning farmer loan programs, single-family housing bonds, exempt facility bonds, student loan bonds, etc..

Late in calendar year 1991, Congress extended through June 30, 1992, the authority for states to issue certain qualifying types of tax-exempt Private Activity Bonds. Those activities subject to the June 30 sunset are "small issue" (industrial development bonds and beginning farmer loan programs) and single-family housing bonds. This bill is introduced to amend the Kansas Private Activity Bond Allocation Act to conform to the current federal sunset on these types of Private Activity Bonds.

By Kansas statute, allocation reserves for specific types of projects are maintained until October 15. The amounts and categories for which reserves are in effect are:

- \$25 million for qualified small issue bonds;
- \$ 5 million for qualified student loan bonds; and
- \$ 5 million for private activity portion of bonds issued by governmental issuers.

Given existing Kansas statutes, the Federal sunset date of June 30 will prevent Kansas from accessing the unused portion of those reserves. Past experience would indicate that at least \$10 million of the allocation held in reserve would not be utilized. Senate Bill No. 682 would amend current statutes K.S.A. 74-5060 and K.S.A. 74-5063 to allow release of the unused portion of those reserves, effective May 1. The modifications suggested are based on 1990 precedent that required similar action to accommodate a September 30 Federal sunset.

In addition to the changes necessary to modify the reserve release dates, we also suggest the following minor language changes:

1. The first line of section (b) in both K.S.A. 74-5060 and K.S.S. 74-5063, that "reserve" be amended to "dedicate"; and
2. K.S.A. 74-5063 (j)(2), "that calendar year 1990" be replaced by the following, "the calendar year in which the allocation was approved".

The change of language from "reserve" to "dedicate" corrects contradictory language in the referenced section (b). The change in K.S.A. 74-5063 (j)(2) allows this section to apply in any allocation year.

The amendments offered in Senate Bill No. 682 would allow the issuers of private activity bonds access to the full amount of the state's allocation authority. If demand is not sufficient to make full use of the reserved portion of the state allocation, the proposed change in release date from October 15 to May 1 will allow allocation to other eligible projects before the sunset provision takes effect. The Kansas Department of Commerce supports full utilization of this resource and therefore seeks the passage of Senate Bill No. 682, as amended.