

Approved: 2-1-94
Date

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION AND ELECTIONS.

The meeting was called to order by Chairperson Marvin Smith at 9:00 a.m. on January 27, 1994 in Room 521-S of the Capitol.

All members were present except: Representative Walker Hendrix

Committee staff present: Carolyn Rampey, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Julian Efird, Legislative Research Department
Arden Ensley, Revisor of Statutes
Nancy Kippes, Committee Secretary

Conferees appearing before the committee:

Charles Warren, President, Kansas Inc.
Meredith Williams, Executive Director, KPERS
Representative Kenneth King

Others attending: See attached list

Mr. Charles Warren, President, Kansas Inc., made a request for bill introduction concerning the merger of the Division of Existing Industry and the Division of Industrial Development in the Kansas Department of Commerce and Housing into a new, single Division of Business Development (Attachment 1).

Representative Wells made a motion to introduce the bill. Representative Dillon seconded. Motion carried.

Hearing on:

HB 2596 - KPERS, confirmation and investigation of members of board of trustees, review of information.

Meredith Williams, Executive Director, KPERS, provided testimony in support of HB 2596 (Attachment 2). This bill would eliminate the requirement that the State Treasurer and two elected members of the Board undergo a KBI investigation, and would specify that the two members appointed by the Speaker of the House and the President of the Senate would be subject to Senate confirmation. It would also establish a procedure for Joint Committee on Pensions, Investments and Benefits to receive and review KBI reports, handling same in a confidential manner by transmitting reports to the Committee Chair. The reports will be reviewed with the Ranking Minority Member in closed session and if necessary report will be reviewed by entire Joint Committee in closed or executive session. The final provision of the bill requires the Retirement System to assume the costs of the KBI investigations.

Representative Kenneth King gave testimony in support of HB 2596, stating the bill was introduced to clarify how confidential KBI reports of KPERS Board members would be handled (Attachment 3).

Hearing was continued on HB 2596 to February 1, 1994.

HB 2597 - KPERS, closed or executive meetings of Joint Committee on Pensions, Investments and Benefits.

Representative Kenneth King testified in support of HB 2597, explaining that HB 2597 would specify instances wherein the Joint Committee could go into executive session (Attachment 4). Those instances would be dealing with 1) legal matters of the system, 2) proprietary information of the system, 3) real estate matters of the system, 4) other confidential information relating to the confirmations process for the appointed members of the board of trustees of the system, and 5) financial information concerning selected direct placement investments of the system made prior to July 1, 1993.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION AND ELECTIONS, Room 521-S Statehouse, at 9:00 a.m. on January 27, 1994.

Meredith Williams, Executive Director of KPERS, provided written testimony in support of HB 2597.

The hearing on HB 2597 was continued to February 1, 1994.

(Attachment #5)

The meeting was adjourned at 9:55 a.m. The next meeting is scheduled for February 1, 1994.

GUEST LIST

COMMITTEE: House Governmental Organization & Elections DATE: 1-27-64

[illegible]



Request for Bill Introduction

Division Merger in Kansas Department of Commerce and Housing

**by
Charles R. Warren, President
Kansas Inc.**

Board of Directors

GOVERNOR JOAN FINNEY
JILL DOCKING
Co-Chairmen

JAY A. ANDERSON
PAUL "BUD" BURKE
TIMOTHY R. DONOGHUE
ERIC THOR JAGER
GREG JONES
GERALD "JERRY" KARR
BOB KNIGHT
ROBERT H. MILLER
JOHN E. MOORE
WARREN SCHMIDGALL
JACK WEMPE
BILL WOHLFORD

**Charles R. Warren
*President***

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House Committee on Governmental Organization January 27, 1994

Kansas Inc. has proposed a legislative initiative to merge the Division of Existing Industry and the Division of Industrial Development in the Kansas Department of Commerce and Housing into a new, single Division of Business Development. I would like to request a bill introduction before the House Governmental Organization Committee to accomplish this merger. Attached is a bill for this purpose that was prepared by Bob Nugent of the Legislative Revisor's Office.

This proposed merger was recommended following an extensive review of the Department of Commerce and Housing by Kansas Inc. staff during the Summer of 1993. Our review was conducted at the request of Secretary Bob Knight. We have provided our report on the Department to the staff of Legislative Post Audit. The merger would increase the efficiency and effectiveness of the Department and enable existing programs to be coordinated better.

We would be pleased to testify in support of the proposed merger and offer a full explanation of the need for this restructuring to the Committee. The proposed merger has been endorsed by the Board of Directors of Kansas Inc.

House Gov. Org. & Elections
JAN. 27-1994
Attachment # 1

HOUSE BILL NO. _____

By Committee on Governmental Organization

AN ACT reorganizing the department of commerce and housing; amending K.S.A. 74-5007a and 74-5008a and K.S.A. 1993 Supp. 74-5010a and repealing the existing sections; also repealing K.S.A. 74-5045 and 74-5046.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 74-5007a is hereby amended to read as follows: 74-5007a. The purpose of the division of ~~industrial~~ business development shall be to attract new business and industry from outside the state and promote and encourage the growth, diversification, innovation and retention of existing Kansas business and industry, thereby creating quality jobs, attracting new capital investment, and expanding and diversifying the state's economic tax base. In defining this purpose, the department and the state government shall recognize that the future of the Kansas economy depends largely on the creation of diversified, value added, primary economic activity that imports new quality jobs, income and wealth into the state. The division of ~~industrial~~ business development is hereby authorized and empowered to:

(a) Foster a climate of agricultural and industrial development by providing incentives to businesses and industries located principally outside the state to expand, locate or relocate within the state;

(b) to engage in recruitment of such businesses and industries by identifying, contacting and informing them of the benefits of expanding, locating or relocating in Kansas;

(c) maintain and keep current all available information regarding the industrial opportunities and possibilities of the state, including raw materials and by-products; power and water resources; transportation facilities; available markets and the

marketing limitations of the state; labor supply; banking and financing facilities; availability of industrial sites; and the advantages the state and its particular sections have as industrial locations; and such information shall be used for the encouragement of new industries in the state and the expansion of existing industries within the state;

(d) to assist counties and cities in industrial development through the establishment of industrial development corporations, including site surveys, small business administration problems, and render such other similar assistance as may be required; and in those instances where it is deemed appropriate, to contract with and make a service charge to the county or city involved for such services rendered; and

(e) to acquaint the people of this state with the industries within the state and encourage closer cooperation between the farming, commercial and industrial enterprises and the people of the state.

(f) Provide programs that facilitate the development of existing industries and startup industries;

(g) facilitate the availability of capital for business growth and quality job creation;

(h) foster the development of a coordinated statewide network of business assistance programs;

(i) encourage the development of minority and women-owned businesses;

(j) pursue initiatives that expand the market for Kansas products and services;

(k) assist small business by providing assistance in interpreting and applying the laws and administrative rules and regulations of the state applying to such businesses; and

(l) make performance grants available to certified development companies and small business development centers as key constituent elements of a "statewide risk capital system" subject to legislative appropriations. Such grants shall be made to provide secure base levels of funding and incentives for

providing financial and technical assistance through the statewide risk capital system to primary, job creating enterprises. The method of distribution of the grants shall be developed by the division in consultation with the certified development companies and small business development centers and reviewed and evaluated by Kansas, Inc. Prior to establishing the method of distribution, the division in consultation with the certified development companies and small business development centers shall perform a survey and analysis of the effectiveness of existing methods of distribution for funding in other states. The method of distribution shall include provision for the establishment of performance standards and performance review prior to initial funding and for all subsequent refunding. The method of distribution shall also provide a formula for base levels of funding which considers all current levels of federal, state and other existing funding, and which recognizes different needs based upon differences in client populations and areas served. The method of distribution proposed shall give priority to the use of state funds for incentive funding where possible, and shall specifically encourage co-location of services essential to an effective and efficient statewide risk capital system.

Sec. 2. K.S.A. 74-5008a is hereby amended to read as follows: 74-5008a. There is hereby established within and as a part of the department of commerce a division of ~~industrial~~ business development, the head of which shall be the director of ~~industrial~~ business development. Under the supervision of the secretary of commerce, the director of ~~industrial~~ business development shall administer the division of ~~industrial~~ business development. The secretary of commerce shall appoint the director of ~~industrial~~ business development and the director shall serve at the pleasure of the secretary. The director of ~~industrial~~ business development shall be in the unclassified service under the Kansas civil service act and shall receive an annual salary fixed by the secretary of commerce and approved by the governor.

Sec. 3. K.S.A. 1993 Supp. 74-5010a is hereby amended to read as follows: 74-5010a. There is hereby established within and as a part of the division of ~~existing--industry~~ business development the office of minority and women business development, the head of which shall be the assistant director for minority and women business development. Under the supervision of the director of ~~existing-industry~~ business development, the assistant director for minority and women business development shall administer the office of minority and women business development.

Sec. 4. K.S.A. 74-5007a, 74-5008a, 74-5045 and 74-5046 and K.S.A. 1993 Supp. 74-5010a are hereby repealed.

Sec. 5. This act shall take effect and be in force from and after its publication in the statute book.

HOUSE BILL NO. 2596
Testimony by KPERS
House Governmental Organization and Elections Committee
January 27, 1994

The Joint Committee on Pensions, Investments and Benefits introduced this bill to amend the statutory process for reviewing the qualifications of members of the Retirement System's Board of Trustees as well as the statutory confirmation process for the appointed members of the Board.

The Board of Trustees consists of four members appointed by the Governor, one member appointed by the Speaker of the House, one member appointed by the President of the Senate, two members elected by the Retirement System's members, and the State Treasurer. Current law provides that all nine members will be subject to an investigation by the Kansas Bureau of Investigation, the results of which will be made available to the Joint Committee on Pensions, Investments and Benefits and to a designated Senate committee. The four members appointed by the Governor are subject to Senate confirmation. The Joint Committee is to make recommendations to the designated Senate committee concerning the confirmation of Trustees. The six appointed members are required to have "...demonstrated experience in the financial affairs of a public or private organization or entity which employs 100 or more employees or had at least five years' experience in the field of investment management or analysis, actuarial analysis or administration of an employee benefit plan."

House Bill No. 2596 would eliminate the requirement that the State Treasurer and two elected members of the Board undergo a KBI investigation. It also specifies that the two members appointed by the Speaker of the House and the President of the Senate would be subject to Senate confirmation. Accordingly, passage of this legislation would require that all six appointed Trustees go through the confirmation process.

The bill also establishes a procedure for the Joint Committee on Pensions, Investments and Benefits to receive and review the KBI reports. It specifies that such reports, other than conviction data, shall be handled in a confidential manner by transmitting the reports to the Committee Chair. In turn, the Chair will review the reports with the Ranking Minority Member in a closed session. Upon the recommendation of either the Chair or the Ranking Minority Member, any such report will be reviewed by the entire Joint Committee in closed or executive session.

The final provision of the bill requires the Retirement System to assume the costs of the KBI investigations. The KBI has indicated that such investigations should cost, on average, \$1,000.

KPERS

House Gov. Org. & Elections

JAN. 27, 1994

Attachment #2

KENNETH R. KING
REPRESENTATIVE, SEVENTY-SEVENTH DISTRICT
BUTLER COUNTY



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
CHAIRMAN: JOINT COMMITTEE ON PENSIONS
INVESTMENT & BENEFITS
VICE-CHAIRMAN: TRANSPORTATION
MEMBER: FINANCIAL INSTITUTIONS
& INSURANCE

HB 2596

January 27, 1994

Testimony Before the
Governmental Organization and Elections Committee
by

Kenneth R. King
Representative, 77th District

Mr. Chairman and members of the committee.

HB 2596 was introduced by the Joint Committee on Pensions, Investments and Benefits. The bill was introduced to clarify how confidential KBI reports of KPERS Board members would be handled. It allows only the Chairman and Ranking Minority Member to review the reports. If they do not agree that it is a good report, they have the authority to recommend the entire Joint Committee discuss the information in closed or executive session.

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JAN. 27, 1994
Attachment # 3

KENNETH R. KING
REPRESENTATIVE, SEVENTY-SEVENTH DISTRICT
BUTLER COUNTY



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
CHAIRMAN: JOINT COMMITTEE ON PENSIONS
INVESTMENT & BENEFITS
VICE-CHAIRMAN: TRANSPORTATION
MEMBER: FINANCIAL INSTITUTIONS
& INSURANCE

HB 2597

January 27, 1994

Testimony Before the
Governmental Organization and Elections Committee
by

Kenneth R. King
Representative, 77th District

Mr. Chairman and members of the committee.

HB 2597 was also introduced by the Joint Committee on Pensions, Investments and Benefits. This bill would allow the Joint Committee to go into executive session. There would be five specific instances where going into executive session would be permissible.

They are:

1. Legal matters of the system
2. Proprietary information of the system
3. Real estate matters of the system
4. Other confidential information relating to the confirmations

process for the appointed members of the board of trustees of the system, and

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JAN. 27, 1994
Attachment # 4

5. Financial information concerning selected direct placement

investments of the system that were made prior to July 1, 1993

The Joint Committee is charged with the general oversight of KPERS activities. It is the committee's opinion that to give proper oversight they need the authority to go into executive session. This recommendation is due to the large number of legal matters and continued problems with KPERS real estate investments.

HOUSE BILL NO. 2597
Testimony by KPERS
House Governmental Organization and Elections Committee
January 27, 1994

The Joint Committee on Pensions, Investments and Benefits introduced this bill to further specify and expand the reasons that the Joint Committee could recess for a closed or executive meeting. Current law provides that the Joint Committee can only recess for a closed or executive meeting to receive and discuss Kansas Bureau of Investigation reports relating to the qualifications of the four Retirement System Trustees appointed by the Governor.

Specifically, this legislation would allow the Joint Committee to recess for a closed or executive meeting to receive and discuss Retirement System information related to:

- legal matters;
- proprietary information;
- real estate matters;
- confidential KBI reports; and
- financial information concerning selected direct placement investments made prior to July 1, 1993.

The practical impact of the legislation is two-fold. The Joint Committee would be permitted to meet with Retirement System counsel in a closed or executive meeting. Additionally, the Joint Committee would be permitted to receive confidential, proprietary information concerning the Retirement System's non-publicly traded investments in such a setting. The public disclosure of such information can have an adverse impact on the market value and marketability of such assets and, in some instances, is prohibited by contract or by law.

KPERS

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Attachment # 5