

Approved: \_\_\_\_\_

1/27/94  
Date

## MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on January 25, 1994 in Room 123-S of the Capitol.

Members present: Senators Burke, Downey, Feleciano, Gooch, Harris, Hensley, Kerr, Petty, Ranson, Reynolds, Salisbury, Steffes and Vidricksen

Committee staff present: Lynne Holt, Legislative Research Department  
Jerry Ann Donaldson, Legislative Research Department  
Jim Wilson, Revisor of Statutes  
Bob Nugent, Revisor of Statutes  
Mary Jane Holt, Committee Secretary

Conferees appearing before the committee: Dr. Charles Warren, President of Kansas Inc.  
Bob Stacks, Director, Division of Employment Security,  
Department of Human Resources  
Denny S. Koch, Southwestern Bell Telephone Company  
Lynne Holt, Kansas Legislative Research Department  
Gary Sherrer, Senior Vice President, Fourth Financial  
Corporation, Wichita

Others attending: See attached list

### Requests for bill introductions:

Dr. Charles Warren, President of Kansas Inc. requested the Committee introduce a bill to create surveys on occupational projections, annual wages, and the extent and nature of underemployment in Kansas financed with \$300,000 from the Economic Development Initiatives Fund in FY 1995, see attachment 1.

Senator Harris moved and Senator Downey seconded to introduce the legislation requested. The motion carried on a voice vote.

Bob Stacks, Director, Division of Employment Security, Department of Human Resources, requested the Committee introduce legislation amending K.S.A. 44-710a(e) by adding the sentence "In arriving at the certification, contributions paid on or before July 31 following the twelve-month period ending date of June 30 shall be considered"; amending 44-705 (e) to reflect that a claimant returns to insured work after completing one benefit year before they qualify for benefits in the next benefit year; a new subsection (f) under 44-705 be inserted to address a federal conformity issue; and disqualification language be incorporated into subsection (a) of 44-706, see attachment 2.

Senator Reynolds moved to introduce the legislation requested. The motion was seconded and carried on a voice vote.

Denny S. Koch, Southwestern Bell Telephone Company, requested the Committee introduce a bill concerning limited deregulation of the telecommunication industry.

Senator Reynolds moved and Senator Ranson seconded to introduce the legislation requested. The motion carried on a voice vote.

Lynne Holt, Kansas Legislative Research Department, presented an overview of Community Development Corporations (CDC). She explained CDC's are nonprofit organizations that originate locally from the efforts of residents determined to revitalize their neighborhoods. The activities of CDC's range from providing social services, to developing low-income housing, to initiating commercial and retail operations in areas often abandoned by a market-driven economy. A bank CDC's primary purpose is community

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on January 25, 1994.

development for the benefit of low and moderate income families, see attachment 3.

Gary Sherrer, Senior Vice President, Fourth Financial Corporation, Wichita, testified he is the president of Bank IV Community Development Corporation. The Bank IV Community Development Corporation was established in 1993. Fourth Financial Corporation received permission from the Federal Reserve to establish a wholly owned subsidiary, Bank IV Community Development Corporation. This is a for-profit corporation and does not make grants or gifts. Profits shall be returned to the CDC for further project development and the CDC will participate in those communities where Bank IV banks are located. Their mission is to strengthen the communities served by Bank IV by investing in individuals, neighborhoods and small business who meet the definition of low and moderate income with a special focus on groups/individuals who traditionally have been denied or have had difficulty in obtaining credit. The Bank IV CDC is committed to achieving its mission through real estate rehabilitation, credit enhancement, and support services, using the CDC's financial resources and expertise in partnership as appropriate with business, government and non-profit organizations. They began operation in June of 1993 with a \$1 million commitment from Fourth Financial Corporation. During the last six months of 1993 they made commitments of \$528,000 to projects in nine Kansas communities. They plan to triple their efforts in 1994, see attachment 4.

The Chairman adjourned the meeting at 9:00 a.m.

The next meeting is scheduled for January 26, 1994.

## GUEST LIST

COMMITTEE: SENATE COMMERCE COMMITTEE

DATE: 1/25/94

[illegible]

# KANSAS Inc.

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JACK WEMPE  
BILL WOHLFORD

Charles R. Warren  
*President*

632 S.W. Van Buren, Suite 100  
Topeka, Kansas 66603  
(913) 296-1460  
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January 18, 1994

Senator Alicia Salisbury  
Chair, Senate Commerce Committee  
The Kansas Legislature  
State Capitol Building  
Topeka, Kansas 66612

Dear Senator Salisbury:

During the 1993 interim meetings of the Joint Committee on Economic Development, Kansas Inc. presented a proposal requesting \$300,000 from the Economic Development Initiatives Fund in FY 1995 to finance surveys on occupational projections, annual wages, and the extent and nature of underemployment in Kansas. The proposal was made by Kansas Inc. on behalf of the State Department of Education, the Kansas Department of Human Resources, and the Kansas Department of Commerce and Housing. (See Attachment A)

I have asked you to take up this proposal in the Senate Commerce Committee during the 1994 session. As you recall, the joint committee requested that additional information be provided by Kansas Inc. to:

1. specify the oversight mechanism for the surveys;
2. describe the methodologies to be used for surveys;
3. specify the procedures to be followed in the subsequent updating of the wage, occupational, and underemployment data; and
4. outline the intended applications of the data and suggestions for conveying the information in a usable format.

This letter responds to those specific requests for information. Leadership on these surveys will come from the Department of Human Resources (KDHR), specifically, Bill Layes and Katie Krider. Attached are written responses to the information requests prepared by KDHR.

1/25/94  
*Commerce*

*Attachment 1-1*

## 1. Oversight Mechanism.

Kansas Inc. will establish a permanent Work Force Survey Oversight Committee to assist in the conduct of the three surveys and to ensure that the methodologies employed, the subsequent updating, and the application and dissemination of the survey results are appropriate and meet the objectives of the various users and audiences.

The oversight committee will consist of the following members:

- ♦ Charles Warren, President of Kansas Inc.
- ♦ Steve Jack, Office of Work Force Training, KDOC&H
- ♦ A representative of the State Dept. of Education
- ♦ Katie Krider, Director of Employment and Training, KDHR
- ♦ Janet Schalansky, Office of Work Force Development, SRS
- ♦ Senator Janis Lee, Chair, Kansas Council of Employment and Training
- ♦ Eddie Estes, Chair, Job Service Employers Committee
- ♦ Charles Krider, Co-Director, Institute for Public Policy and Business Research, The University of Kansas

This will be a working committee that will meet initially to oversee the design and execution of the surveys. The committee will prepare a dissemination plan to ensure that the data is presented in a highly useable format and communicated to all potential users. It will serve on a permanent basis to decide whether new surveys are necessary as a result of changes in the economy.

In addition, the survey plans and the dissemination effort will be presented to the Governor's School-to-Work Committee and suggestions will be sought for its distribution and use from that committee. Input and liaison will also be sought from the Kansas Association of School Boards, the Kansas Chamber of Commerce and Industry, and other education and employer organizations.

## 2. Methodologies

The proposed methodologies for the occupational projections survey and the Kansas Wage Survey are detailed in Attachment B prepared by KDHR.

The underemployment survey will be conducted under a contract with the Institute for Public Policy and Business Research (IPPBR) at The University of Kansas. IPPBR has extensive research and surveying experience. The purpose of the contract with the institute will be to develop effective methodologies for the study as well as to carry out the actual survey work. The Work Force Survey Oversight Committee will be responsible for reviewing the proposed methodology to ensure the accuracy and validity. Particular attention will be paid to validation of subjective responses to

the questions dealing with qualifications for present employment.

### **3. Subsequent Updating**

As mentioned earlier, the oversight committee will meet annually to determine whether an update of any of the three surveys is warranted. Changes in the economy such as unexpected layoffs or hirings and other national or international macroeconomic factors may require the occupational projections to be updated. The wage/salary information will need to be updated more regularly, at least every third year.

### **4. Applications and Users**

There are three primary user groups for these surveys: 1) education and job training officials; 2) private employers; and 3) state and local economic development officials.

The main users of the occupational projections will be educators and counselors in Kansas high schools, vocational-technical institutions, community colleges, and universities. The projections will be used in the planning and design of professional and technical courses by post-secondary institutions. They will be utilized by school counselors in their advice to students on career preparation and course selection. Individual students will find these projections invaluable in their own search and selection for rewarding jobs and careers. Job training professionals will use the information to help clients determine which occupations will provide the best employment opportunities and what type of training is required. Many federal training programs require that training be provided for only those occupations that are projected to increase employment.

The wage surveys will be of primary benefit to private employers in their evaluation of existing wage and compensation policies, packages and structures. Private employers will also use this data in evaluating business location and expansion possibilities. Labor unions will use the wage survey data as a basis for their own bargaining and negotiation. Economic development professionals will find this data helpful in their industrial recruitment efforts.

When coupled with the occupational projections, the wage survey will provide high school counselors, job training professionals, and students detailed information helpful to the selection of jobs and careers and useful to the choice of training and education programs that can lead to those careers.

The underemployment survey will be utilized by policy makers, training and retraining officials, and economic development professionals. The low unemployment rate enjoyed by Kansas is believed to conceal extensive underemployment, defined as

workers who have part-time or temporary jobs, and those in jobs that are below their education and skill qualifications. Detailed knowledge of the extent and nature and underemployment is important to the design and targeting of training and retraining programs. It is also needed to convince existing employers and prospective companies that a qualified work force is available to meet their expansion and location requirements. The design of strategies to meet the goal of high wage employment depends on information about the existing work force and the nature of their current employment.

It is our hope to publish the survey reports in a format that will not only provide the data in a clear and understandable format, but to also publish narrative explanations of the findings that will provide insights and conclusions useful to the audiences that have been identified. It may also be possible to sponsor workshops and conferences for various user groups on the survey results.

I hope these responses to the questions raised by the Joint Committee on Economic Development are sufficient for the Committee to make an informed decision on the value and utility of the proposed surveys. We appreciate your support of this proposal and will be available to respond to questions and additional requests for information.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Charles", written in dark ink.

Charles R. Warren  
President

ATTACHMENT A

# **Kansas Labor Market Information Reports**

*Proposal to the*

**Joint Committee on Economic Development**

*December 7, 1993*

by

**Charles R. Warren  
President**

**Kansas Inc.  
632 S.W. Van Buren, Suite 100  
Topeka, Kansas 66603  
913.296.1460**



# Kansas Labor Market Information Reports

## *Proposal to the Joint Committee on Economic Development*

♦ ♦

It is proposed that the Legislature provided \$300,000 in FY1995 from the Economic Development Initiatives Fund (EDIF) for funding three surveys on 1) occupational projections, 2) wage information, and 3) the extent and nature of underemployment in Kansas. These surveys would be conducted by the Division of Labor Market Information Systems in the Department of Human Resources (KDHR). A budget and explanation of each survey is attached.

Reliable and comprehensive information on which occupations are projected to experience future employment and income growth is a vital element in any labor force training and education system. It is also important to understand the characteristics of the underemployed as they are a possible source of tremendous work force growth. The state currently has no such reliable information on occupational growth projections, salaries and wages, or the underemployed. This absence of data negatively affects the effectiveness of current education and training programs and would severely limit the contribution of new efforts such as a new school-to-work transition system.

This occupational information is used throughout the education and training system. This information is used by:

- ♦ High School Teachers and Counselors
- ♦ School-to-Work programs in Secondary and Post-Secondary Education
- ♦ Community College and AVTS Placement Staff and Career Counselors
- ♦ Job Training Partnership Act Administrators
- ♦ KanWork Staff
- ♦ Adult Basic Education Centers' Volunteers and Staffs
- ♦ Vocational Rehabilitation Counselors
- ♦ Job Service Personnel
- ♦ Economic Development Professionals

The staffs and/or participants in these programs and organizations use these data for many purposes including:

- ♦ counseling high school, community college, and AVTS students on possible career choices and requisite training and education for those occupations.
- ♦ counseling adult and youth participants in various training programs including Job Training Partnership Act and KanWork.
- ♦ providing information to new companies recruited by Kansas regarding the state's wage scale and areas of underemployment.
- ♦ counseling students involved in school-to-work programs on potential careers and what type of work-based experience would be advantageous to achieving their employment goals.
- ♦ identifying for economic development professionals, the Legislature, and the Governor on potential growth in various occupations, industries, and regions of the state for public policy development.
- ♦ providing employers reliable information on wage and salary structures and information on possible facility expansion and relocation decisions.

This information would be collected and analyzed by KDHR. KDHR has maintained labor information statistics for Kansas since the 1930s. The U.S. Department of Labor (U.S. DOL) has supported these activities throughout that period. Although it continues to fund a number of important statistical programs, it does not support the collection or development of data in several increasingly important categories.

## Wage Survey

KDHR has conducted the *Kansas Wage Survey* for nearly twenty-five years to provide industry, labor, training organizations, and the public with reliable wage information. The wage survey has never been specifically funded by the U.S. DOL unlike most other labor information developed by the KDHR. It was primarily supported until the late 1980s by the pooling of several sources of funds intended for general labor market information.

The *Kansas Wage Survey* has proven to be an invaluable tool for the support and promotion of Kansas employers. Historically, the most-used labor information product, its usefulness has soared with recent expansions in response to demands for more detail and reliability. We believe it has become an indispensable document to Kansas employers. Unfortunately, increased demand for the wage data has not been met with corresponding budgetary commitment. Publication of the data would not be feasible without future budgetary support.

## **Occupational Projections**

The Kansas Department of Human Resources has for many years published information relative to future occupational demand. The current projections to 1995 were published in 1989 based on employer Occupational Employment Statistics (OES) survey data for the years 1985-87. KDHR has produced occupational projections for more than 20 years. Kansas was selected in the 1960s as a pilot state by the Employment and Training Administration (ETA) and the Bureau of Labor Statistics (BLS) of the U.S. DOL to test a methodology for a projections project. For many years the projections were funded by BLS and ETA. During the last decade ETA was the first to withdraw funding followed by BLS. As a result, no permanent staffing is available to provide on-going survey work. The current projections are outdated and must be updated.

## **Labor Force Skill Matching and Underemployment Study**

Virtually no information relating to quality of employment or underemployment is available. A complete picture of labor conditions requires, in addition to conventional employment and unemployment statistics, information regarding workers who remain underemployed or who are not employed with maximum effectiveness. An underemployment study could provide details about Kansans who remain overqualified for their current jobs, and could provide a more complete picture of workers holding full, part-time, and temporary jobs.

## Labor Information Data Collection Budget

<b>Wage Survey</b>	
Staff	\$97,000
Mail Survey	45,000
Printing and Publication	30,000
Advertising and Distribution	13,000
Miscellaneous	5,000
<i>Subtotal:</i>	\$190,000
<b>Occupational Projections</b>	
Staff	\$38,000
Data Processing	20,000
Printing and Publication	12,000
<i>Subtotal:</i>	\$70,000
<b>Underemployment Study</b>	
<i>Subtotal:</i>	\$40,000
<b>Total:</b>	<b>\$300,000</b>

# *Kansas State Board of Education*

120 S.E. 10th Avenue, Topeka, Kansas 66612-1182

December 2, 1993

Rep. Bob Mead, Chair  
Committee on Economic Development  
Room 112 South  
State Capitol Building  
Topeka, KS 66612

Dear Representative Mead:

The State Department of Education, in order to receive federal funds, is required by the Carl D. Perkins Vocational and Applied Technology Education Act of 1990 to submit the results of a statewide wage and occupational demand survey through the year 2000. In addition, educational institutions throughout Kansas depend on these survey results to counsel students, approve programs, and to make decisions regarding the needs of Kansas business and industry. The only results available as of this date are through 1995.

The Kansas Department of Human Resources has for many years published this required information. The Department has advised this office that the information is no longer available due to a lack of funds to conduct the necessary surveys.

I support the request submitted to you by Charles Warren, President of Kansas Inc. to fund these very important surveys.

Your consideration of this request is appreciated.

Sincerely,



Lee Droegemueller  
Commissioner of Education

**Attachment B**

**Response to Inquiries on Survey Methodology**

**from**

**Kansas Department of Human Resources**

## Occupational Employment Projections

### ● Methodology

#### Industry Data Base

1. The first step in the development of occupational projections is to gather information based upon Kansas Unemployment Insurance covered employment.
2. Estimates are then made of the noncovered portion of the labor force, which includes the self-employed, unpaid family workers, elected officials, agricultural workers, etc.
3. The information developed by this series is then correlated with the same Industry (SIC) data series at the national level.
4. Regression analysis is then used to provide a "mechanical" or purely mathematical projection to a target year.
5. These raw projections are then adjusted by local analysts' knowledge of the area; or upcoming events or projects, i.e., major construction project.
6. Industry base and target year totals are determined.

#### Occupational Data Base (OES)

1. The next step is the development of an occupational series. The first step in occupational data base is construction of a matrix. This is simply a table that arrays occupational staffing patterns for each industry.
2. The main component of data is collected through the Occupational Employment Statistics survey. These surveys are conducted on a three-year cycle with manufacturing the first year, one-half of non-manufacturing the second year, and the balance of non-manufacturing the third year.
3. The dominate collection method is by a mail questionnaire followed by telephone and personal visits. Three consecutive years of survey results are needed for base year occupational data.
4. A national estimate of change factors is then used which redistributes occupations from the base to target year at the industry level. These new matrixes are then applied to the target year industry estimates. This then provides an estimate of target year employment by occupation through the required year; say the year 2000.
5. In addition to projections of employment, a total number of job openings is expressed by occupation. Those openings are due to the difference in the base and target year employment estimates. Openings as a result of labor force separation are developed using ratios provided by BLS. Occupation specific information is used based on actuarial experience for death and labor force participation.

## Kansas Wage Survey

- **Oversight.** The operation of the actual mail survey of employers and the compilation of data into usable reports will be overseen by the Kansas Department of Human Resources. All aspects of information collection, processing, and distribution would be in accordance with established practice.
- **Methodology.** The information would be collected and processed in a manner similar to that of previous surveys. The basic data would be collected in a mail survey to Kansas employers. In the most recently completed survey, 11,600 employers were mailed questionnaire booklets, and 5,100 usable responses were received.

**Sample.** The sample of employers was selected from the Department of Human Resources file of business establishments covered by Kansas Employment Security Law. Establishments were selected for the survey based on industry and employment, with the aim of approximating the proportions of employment in each industry division. All establishments with 250 or more employees were included, and smaller establishments were selected randomly, weighted according to industry.

**Survey Instrument.** Each of the 10 different survey questionnaires was targeted to a specific industry segment and included between 105 and 180 occupations. The responding employer was asked to report the number of workers in each of 21 wage ranges for each of the occupations in which there were workers. Additionally, in order to collect entry level wage data, the employer was asked to report actual wages for any recently hired workers who had not received a promotion or wage increase. A separate occupational description booklet was enclosed with each survey so employers were able to determine those employees that properly fit the occupational category.

**Data Collection.** The wage data were primarily collected from a mail survey conducted over several months. A follow-up mailing was made to non-respondents about 30 days after the initial mailing.

**Processing.** A manual review and editing of returned surveys was accomplished before the data were entered into the microcomputer database. After the wage figures were entered into the computer, validity and consistency checks were done to insure data entered into the computer matched the data reported on the survey forms. Computerized exception reports were also generated to safeguard against errors in processing. Summary statistics were generated in a format that could be directly imported into the final publication.

**Information Presentation.** The main product from the survey is the *Kansas Wage Survey* publication, and the statistics are also available as electronic worksheets. Wage data are presented in each section for state as a whole, the four metropolitan areas, and the non-metro portion of the state. The state section includes information on 447 occupations, which represent about 90 per cent of the workers in Kansas.

Several statistics are included for each occupation. The numbers of reporting establishments and workers were reported directly. An average wage is included as a range of the means of the low and high limits of the wage ranges. Five items—the Low, First Quartile, Median, Third Quartile, and High—are represented by letter codes indicating the actual collection ranges.

**Distribution.** About 4,000 publications were distributed to survey participants, and another 100 were distributed among various offices of the Department of Human Resources. About 600 books have been sold at a cost of \$45.



SENATE COMMERCE COMMITTEE

January 25, 1994

PROPOSED AGENCY LEGISLATION AMENDING  
THE KANSAS EMPLOYMENT SECURITY LAW

Madam Chairperson, members of the committee, my name is Bob Stacks, Director of the Unemployment Insurance Division with the Kansas Department of Human Resources. I appear before you today, representing the Agency with regard to proposed amendments to the Kansas Employment Security Law. For the sake of clarity and time, I've included as part of my testimony, a cover sheet which briefly describes each amendment and the reason for submitting it to this Committee. I would now like to address each amendment and stand for questions upon completion.

**Proposed Amendment No. 1:** As a result of the 1993 Legislative Session, K.S.A. 44-710a(e) was amended to provide an annual certification to be prepared by the Secretary of Human Resources as to the adequacy and solvency of the Employment Security Trust Fund. As the subsection provides, the certification is to cover a twelve-month period ending on June 30. Each year when contribution rates are computed for eligible employers we use contributions paid on or before July 31 following the twelve-month period which ends on June 30. This allows us to consider the amount of taxes that are due and paid on those wages paid and reported for the twelve-month period. Our Chief of Fiscal Management provides an annual trust fund balance to the Chief of Labor Market Information Services which is subsequently used to compute the tax rates for the coming calendar year. Early this year, Mr. Layes, Chief of Labor Market Information Services, indicated that if we didn't add additional language to the current subsection, there was a possibility that we would be out of conformity with federal requirements. He indicated that a second trust fund balance period would be necessary to ensure accuracy and conforming status under the law. We are therefore requesting that 44-701a(e) be amended by adding the sentence in the example under attached Proposed Amendment No. 1.

**Proposed Amendment No. 2:** This amendment falls under subsection (e) of 44-705 and ensures, in accordance with federal law, that a claimant returns to insured work after completing one benefit year before they qualify for benefits in the next benefit year. The Employment Security Advisory Council, at its' September meeting, voted to forward this measure to the 1994 Legislature with a positive recommendation. This proposed language amendment appears in your packet under Proposed Amendment No. 2.

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Commerce  
Attachment 2-1

**Proposed Amendment No. 3:** This proposed amendment would require that a new subsection (f) under 44-705 be inserted to address a federal conformity issue. On November 24, 1993, the President signed into law the Unemployment Compensation Amendments of 1993, Public Law 103-152. Public Law 103-152 extended the emergency unemployment compensation (EUC) program, and amended the Social Security Act to require states, as a condition of receiving administrative grants, to establish and utilize a system of profiling all new claimants for regular unemployment compensation for purposes of identifying claimants who are likely to exhaust unemployment compensation and will need job search assistance to make a successful transition to new employment. The Social Security Act was further amended to require states to disqualify any individual identified pursuant to this profiling system if the individual fails to participate in reemployment services. As a result, each state was submitted draft language to be incorporated in their respective state laws to address the changes in eligibility with regard to profiling. The language proposed is on your handout under Proposed Amendment No. 3.

**Proposed Amendment No. 4:** This proposed language would be incorporated into subsection (a) of 44-706 and pertains to disqualification. This language was submitted to this Committee early last week as a recommendation by the Employment Security Advisory Council. The language as is was supported by the Council and recommended as an Agency amendment to subsection (a) of 44-706. This proposed amendment can be found in your handout under Proposed Amendment No. 4.

Madam Chairperson, this concludes my testimony with regard to the Agency's proposed amendments to the Employment Security Law. I would entertain any questions you might have at this time.

## Employer Contributions

L-710a

## EMPLOYMENT SECURITY LAW

(c) *Voluntary contributions.* Notwithstanding any other provision of the employment security law, any employer may make voluntary payments for the purpose of reducing or maintaining a reduced rate in addition to the contributions required under this section. Such voluntary payments may be made only during the thirty-day period immediately following the date of mailing of experience rating notices for a calendar year. All such voluntary contribution payments shall be paid prior to the expiration of 120 days after the beginning of the year for which such rates are effective. The amount of voluntary contributions shall be credited to the employer's account as of the next preceding computation date and the employer's rate shall be computed accordingly, except that no employer's rate shall be reduced more than five rate groups as provided in schedule I of this section as the result of a voluntary payment. An employer not having a negative account balance may have such employer's rate reduced not more than five rate groups as provided in schedule I of this section as a result of a voluntary payment. An employer having a negative account balance may have such employer's rate reduced to that prescribed for rate group 51 of schedule I of this section by making a voluntary payment in the amount of such negative account balance or to that rate prescribed for rate groups 50 through 47 of schedule I of this section by making an additional voluntary payment that would increase such employer's reserve ratio to the lower limit required for such rate groups 50 through 47. Under no circumstances shall voluntary payments be refunded in whole or in part.

(d) As used in this section, "negative account balance employer" means an eligible employer whose total benefits charged to such employer's account for all past years have exceeded all contributions paid by such employer for all such years.

(e) The secretary of human resources shall annually prepare and submit a certification as to the solvency and adequacy of the amount credited to the state of Kansas' account in the federal employment security trust fund to the governor and the employment security advisory council. Commencing in calendar year 1994, the certification shall be submitted on or before December 1 of each calendar year and shall be for the twelve-month period ending on June 30 of that calendar year. Each certification shall be used to determine the need for any adjustment to schedule III in subsection (a)(3)(A) and to assist in preparing legislation to accomplish any such adjustment.

*In arriving at the certification, contributions paid on or before July 31 following the twelve-month period ending date of June 30 shall be considered.*

History: L. 1945, ch. 220, § 6; L. 1947, ch. 291, § 4;

L. 1949, ch. 288, § 6;	L. 1955, ch. 251, § 4;
L. 1957, ch. 296, § 1;	L. 1959, ch. 223, § 5;
L. 1963, ch. 277, § 1;	L. 1971, ch. 180, § 5;
L. 1972, ch. 192, § 3;	L. 1973, ch. 205, § 7;
L. 1974, ch. 205, § 2;	L. 1975, ch. 261, § 2;
L. 1976, ch. 370, § 63;	L. 1978, ch. 192, § 1;
L. 1978, ch. 193, § 1;	L. 1979, ch. 160, § 1;
L. 1982, ch. 215, § 3;	L. 1983, ch. 169, § 5;

## Benefit Eligibility Conditions

## EMPLOYMENT SECURITY LAW

44-705

mant's pursuit of the full course of action most reasonably calculated to result in the claimant's reemployment except that, notwithstanding any other provisions of this section, an unemployed claimant otherwise eligible for benefits shall not become ineligible for benefits because of the claimant's enrollment in and satisfactory pursuit of approved training, including training approved under section 236(a)(1) of the trade act of 1974.

(d) The claimant has been unemployed for a waiting period of one week or the claimant is unemployed and has satisfied the requirement for a waiting period of one week under the shared work unemployment compensation program as provided in subsection (k)(4) of section 1, which period of one week, in either case, occurs within the benefit year which includes the week for which the claimant is claiming benefits. No week shall be counted as a week of unemployment for the purposes of this subsection (d):

- (1) If benefits have been paid for such week;
- (2) if the individual fails to meet with the other eligibility requirements of this section; or
- (3) if an individual is seeking unemployment benefits under the unemployment compensation law of any other state or of the United States, except that if the appropriate agency of such state or of the United States finally determines that the claimant is not entitled to unemployment benefits under such other law, this subsection (d) shall not apply.

(e) For benefit years established on and after the effective date of this act, the claimant has been paid total wages for insured work in the claimant's base period of not less than 30 times the claimant's weekly benefit amount and has been paid wages in more than one quarter of the claimant's base period, except that the wage credits of an individual earned during the period commencing with the end of a prior base period and ending on the date on which such individual filed a valid initial claim shall not be available for benefit purposes in a subsequent benefit year unless, in addition thereto, such individual has *returned to work and* subsequently earned wages for insured work in an amount equal to at least eight times the claimant's current weekly benefit amount.

History: L. 1937, ch. 255, § 5; L. 1941, ch. 264, § 3;  
 L. 1943, ch. 190, § 2; L. 1945, ch. 220, § 3;  
 L. 1949, ch. 288, § 4; L. 1955, ch. 251, § 3;  
 L. 1959, ch. 223, § 2; L. 1961, ch. 245, § 1;  
 L. 1970, ch. 191, § 3; L. 1971, ch. 180, § 3;  
 L. 1971, ch. 181, § 1; L. 1973, ch. 205, § 4;  
 L. 1976, ch. 226, § 3; L. 1976, ch. 370, § 59;  
 L. 1977, ch. 181, § 3; L. 1979, ch. 159, § 2;  
 L. 1982, ch. 214, § 3; L. 1988, ch. 172, § 2; July 1.

(f) *The claimant participates in reemployment services, such as job search assistance services, if the individual has been determined to be likely to exhaust regular benefits and need reemployment services pursuant to a profiling system established by the Secretary.*

**44-706. Disqualification for benefits.** An individual shall be disqualified for benefits:

- (a) If the individual left work voluntarily without good cause attributable to the work or the employer,

4-706. Disqualification for benefits. An individual shall be disqualified for benefits:

(a) If the individual left work voluntarily without good cause attributable to the work or the employer, subject to the other provisions of this subsection (a). The disqualification shall begin the day following the separation and shall continue until after the individual has become reemployed and has had earnings from insured work of at least three times the individual's weekly benefit amount. An individual shall not be disqualified under this subsection (a) if:

(1) The individual was forced to leave work because of illness or injury upon the advice of a licensed and practicing health care provider and, upon learning of the necessity for absence, immediately notified the employer thereof, or the employer consented to the absence, and after recovery from the illness or injury, when recovery was certified by a practicing health care provider, the individual returned to the employer and offered to perform services and the individual's regular work or comparable and suitable work was not available: as used in this paragraph (1) "health care provider" means any person licensed by the proper licensing authority of any state to engage in the practice of medicine and surgery, osteopathy, chiropractic, dentistry, optometry, podiatry or psychology;

(2) the individual left temporary work to return to the regular employer;

(3) the individual left work to enlist in the armed forces of the United States, but was rejected or delayed from entry;

(4) the individual left work because of the voluntary or involuntary transfer of the individual's spouse from one job to another job, which is for the same employer or for a different employer, at a geographic location which makes it unreasonable for the individual to continue work at the individual's job;

(5) the individual left work because of hazardous working conditions: in determining whether or not working conditions are hazardous for an individual, the degree of risk involved to the individual's health, safety and morals, the individual's physical fitness and prior training and the working conditions of workers engaged in the same or similar work for the same and other employers in the locality shall be considered: as used in this paragraph (5), "hazardous working conditions" means working conditions that could result in a danger to the physical or mental well-being of the individual: each determination as to whether hazardous working conditions exist shall include, but shall not be limited to, a consideration of (A) the safety measures used or the lack thereof, and (B) the condition of equipment or

— After a temporary job assignment, failure of an individual to affirmatively request an additional assignment on the next succeeding work day, if required by the employment agreement, after completion of a given work assignment, when comparable work is available, shall constitute leaving work voluntarily.

# MEMORANDUM

TO: Senate Commerce Committee  
FROM: Lynne Holt, Kansas Legislative Research Department  
RE: An Overview of Community Development Corporations

Community Development Corporations (CDCs) are nonprofit organizations that originate locally from the efforts of residents determined to revitalize their neighborhoods. The activities of CDCs range from providing social services, to developing low-income housing, to initiating commercial and retail operations in areas often abandoned by a market-driven economy. CDCs are most active in rehabilitating abandoned and deteriorated apartment buildings and single-family homes for retail and sale to low-income families. They also manage multi-family residential buildings and provide counseling for newly established tenants' organizations.

One form of CDC is the bank CDC, which is a community development corporation owned in full or in part by a bank or banks. The primary purpose of such a CDC is community development for the benefit of low and moderate income families. There are several differences between bank CDCs and other types of CDCs. First, bank CDCs, while they may engage in the same types of activities as their nonbank counterparts, are not necessarily governed by a community-based board. Nonetheless, some bank CDCs have established community advisory groups in

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Attachment 3-1

communities where projects are under consideration and others use existing outreach delivery systems. Second, bank CDCs are focused primarily on real estate development, whereas the primary focus of non-bank CDCs has historically been on community organizing and the encouragement of greater resident involvement. CDCs need not be affiliated with a bank, however, to provide equity to local businesses. CDC loans to businesses are often made from a revolving fund that could be capitalized from a wide array of sources, such as government and foundation grants, "social investments" from corporations, and donations from private individuals and religious organizations.

With respect to bank CDCs, banks may invest up to five percent of their capital in a CDC. A bank CDC would thus include a federally insured bank and a CDC, so that it could take deposits, make mortgages and small business loans, make equity investments in small businesses, make micro-loans, provide insurance services, and undertake other nontraditional community development activities.

Bank CDCs can make investments not normally permitted by federal banking regulators, such as equity investments in real estate and small businesses, if public benefits are involved. Public benefits include: affordable housing, economic development, or small business financing. These loans or investments may be applied to meeting the requirements of the Community Reinvestment Act.

Let me distinguish at this point between typical bank lenders and bank CDCs. Typical bank lending requires owners of property or businesses to commit capital before the bank will make a loan. In contrast, bank CDCs do not have to wait for others to initiate projects; they can buy, rehabilitate, or sell properties or provide supplemental equity or special debt investments that help make projects or business ventures feasible. Bank CDCs are important because they can provide additional equity to a project in capital-poor areas and assist CDCs that have little working capital for neighborhood revitalization.

According to an article in Nations' Cities Weekly (November 23, 1992), three elements appear to be critical for a bank CDC to be successful: 1) the bank must use credit to leverage the energies of local residents; 2) the bank must provide and control the capital necessary for a comprehensive development program; and 3) the bank must be self-sustaining and not subject to annual grants of government funding.

There are limitations to what one can realistically expect of bank CDCs. Bank CDCs, or for that matter nonbank CDCs, cannot be expected to serve as a panacea for all the ills of a blighted neighborhood, and there are limits to the amount of moneys that such entities can be expected to invest in revitalization. CDCs are rarely successful if they cannot find support from other partners within the community, such as other nonprofit CDCs, the local business community, local and state government agencies, or



federal program subsidies. Community development investment also requires a special expertise in real estate development, business ownership, and public-private partnerships.

The most recent comprehensive survey of CDCs (bank and nonbank) was conducted by the National Congress for Community Economic Development (NCCED) in 1991. At that time, it was estimated that there were 2,000 CDCs nationwide, generating or retaining 90,000 permanent jobs since 1986. Apparently, the number of bank CDCs has increased most dramatically from approximately 65 in 1990 to over 250 at the end of 1992. Very little empirical research has been done on the effectiveness of CDCs, in part because CDC initiatives cannot be evaluated in isolation, according to testimony submitted to Congress by the NCCED. Most of our knowledge of CDCs is confined to anecdotal information or case studies.

To conclude, I have distributed a memorandum I presented to the Joint Committee on Economic Development on July 16, 1992. It is somewhat out-of-date in terms of the discussion of the federal enterprise zone legislation that was at that time under consideration in Congress. However, the remaining sections still appear to be as relevant now as they were 18 months ago.

In this memorandum, I argued that, according to the literature on community development, state enterprise zone programs had historically failed to reverse urban blight (p.3). An article, also distributed to you, that was written by Nicholas Lemann in The Atlantic Monthly, is critical of state and local

enterprise zone programs and the federal enterprise zone efforts of previous administrations, as well as of the Clinton Administration's empowerment zone legislation. According to this article, enterprise zones generally are not effective in countering urban malaise, but they are politically palatable because they involve tax cuts, not subject to the appropriations process. However, according to Lemann, tax cuts can not offset such formidable problems as poor education and crime -- real disincentives for business development and expansion. What has proven to be successful for establishing a social service foundation necessary for potential economic growth in depressed areas have been the efforts of numerous CDCs throughout the country. CDCs have not been historically as successful in developing commercial property or business enterprises as they have been in establishing good housing for low-income tenants, providing an atmosphere of security, and offering a wide array of child care, training, and other services. The article concludes by noting that there is little political support for CDCs because of their social service nature, but they can be effective. Without a solid housing and infrastructure foundation, attempts to revitalize urban areas are doomed to failure.

SENATE COMMERCE COMMITTEE

JANUARY 25, 1994

TESTIMONY OF GARY SHERRER, SENIOR VICE PRESIDENT, FOURTH FINANCIAL CORPORATION, PRESIDENT, BANK IV COMMUNITY DEVELOPMENT CORPORATION.

CHAIRPERSON SALISBURY AND MEMBERS OF THE COMMERCE COMMITTEE, I AM HERE TODAY IN MY CAPACITY AS PRESIDENT OF THE BANK IV COMMUNITY DEVELOPMENT CORPORATION. I APPRECIATE THE INVITATION TO SHARE WITH YOU THE EXPERIENCE OF THE BANK IV COMMUNITY DEVELOPMENT CORPORATION AND HOPE IT WILL BE OF VALUE TO YOU AS YOUR DISCUSS COMMUNITY DEVELOPMENT LEGISLATION.

TODAY, I WOULD LIKE TO BRIEFLY DISCUSS COMMUNITY DEVELOPMENT CORPORATIONS IN GENERAL, THEN FOCUS ON THE BANK IV CDC FOR MOST OF MY REMARKS. I WOULD, OF COURSE, BE OPEN FOR QUESTIONS AT ANY TIME.

THERE IS NO SINGLE DEFINITION OF A COMMUNITY DEVELOPMENT CORPORATION. THEY CAN BE CORPORATIONS DEFINED BY STATE OR FEDERAL LAW

OR REGULATORY AGENCIES. ON THE OTHER HAND, I KNOW OF NO PROHIBITION THAT WOULD STOP AN INDIVIDUAL OR GROUP FROM INCORPORATING AND OPERATING A COMMUNITY DEVELOPMENT CORPORATION. SOME STATES, I BELIEVE WISCONSIN IS ONE, HAVE DEFINED COMMUNITY DEVELOPMENT CORPORATIONS WITH THE PURPOSE OF PROVIDING STATE ASSISTANCE TO A CLEARLY DEFINED ENTITY. THE FEDERAL RESERVE AND THE OFFICE OF THE COMPTROLLER OF THE CURRENCY HAVE ESTABLISHED DEFINITIONS AND GRANTED OPERATING STATUS TO HOLDING COMPANY AND BANK CDC'S. THIS IS IN CONTRAST TO SITUATIONS IN WHICH A GROUP SIMPLY INCORPORATES FOR THE PURPOSE OF ESTABLISHING A COMMUNITY DEVELOPMENT CORPORATION SUCH AS HAS OCCURRED IN WICHITA.

A COMMUNITY DEVELOPMENT CORPORATION CAN HAVE A NARROWLY DEFINED SCOPE (A PORTION OF A CITY FOR EXAMPLE) OR A BROADER ONE (A MULTI-STATE REGION). A COMMUNITY DEVELOPMENT CORPORATION CAN BE EITHER NON-PROFIT OR FOR-PROFIT. ITS PURPOSE CAN BE SINGLE IN NATURE (AFFORDABLE-HOUSING, DOWNTOWN REDEVELOPMENT, ETC.) OR MULTI-PURPOSED.

IN SUMMARY, COMMUNITY DEVELOPMENT CORPORATION IS NOT A SELF-DEFINING CONCEPT, BUT IS DEFINED BY THE LEGISLATION, REGULATION OR INCORPORATION THAT ESTABLISHES IT. THEREFORE, SOME CAUTION SHOULD BE USED IN ANY DISCUSSION OF THIS CONCEPT UNLESS A CLEAR DEFINITION IS ESTABLISHED AT THE OUTSET.

THE BANK IV COMMUNITY DEVELOPMENT CORPORATION WAS ESTABLISHED IN 1993. FOURTH FINANCIAL CORPORATION RECEIVED FROM THE FEDERAL RESERVE, PERMISSION TO ESTABLISH A WHOLLY OWNED SUBSIDIARY, BANK IV COMMUNITY DEVELOPMENT CORPORATION. THIS IS A FOR-PROFIT CORPORATION AND DOES NOT MAKE GRANTS OR GIFTS. THE DECISION TO BECOME FOR-PROFIT WAS BASED ON BOTH FINANCIAL AND PHILOSOPHICAL FACTORS. A FOR-PROFIT ALLOWS US TO ACHIEVE THREE BENEFITS:

- 1) INVOLVEMENT OF PRIVATE SECTOR PARTNERS WHO CAN GAIN TAX BENEFITS, WRITE OFFS AND TAX CREDITS THAT COULDN'T BE DONE

WITH NON-PROFIT. THIS LEVERAGES OUR CDC AND WE EXPECT TO HAVE MORE THAN \$1,000,000.00 IN PRIVATE SECTOR SUPPORT.

- 2) A FOR-PROFIT WILL PROFIT ADDITIONAL DOLLARS TO EXPAND OUR PROJECTS BY HAVING A PROFIT GOAL WE CAN ACHIEVE OUR MISSION AND REINVEST OUR RETURNS, AGAIN AND AGAIN.
- 3) THERE IS AN APPROPRIATE PLACE FOR CHARITY, THAT IS WHY WE HAVE THE BANK IV CHARITABLE TRUST. OUR EXPERIENCE INDICATES THERE ARE A SIGNIFICANT NUMBER OF PEOPLE, WHO TO ACHIEVE DECENT AFFORDABLE HOUSING OR ENHANCE THEIR SMALL BUSINESS, NEED NOT A HANDOUT, BUT A HANDUP AND THE FOR-PROFIT CDC CAN CREATE THAT ENVIRONMENT.

THE CDC IS STAFFED ON A DAY TO DAY BASIS BY JOHN ROLFE, VICE PRESIDENT. IT IS DIRECTED BY MYSELF AND SUPPORTED BY LEGAL, FINANCE, CREDIT ADMINISTRATION AND COMPLIANCE STAFF OF FOURTH FINANCIAL CORPORATION. WE HAVE A BOARD OF DIRECTORS COMPRISED OF MYSELF AND

LIONEL ALFORD, PRESIDENT OF ALFORD INC. ALFORD IS FORMER PRESIDENT OF THE BOEING MILITARY AIRPLANE CO. AND FORMER SENIOR VICE PRESIDENT OF THE BOEING CO. HE RETIRED IN 1989. FRED BERRY, JR., CHAIRMAN OF BERRY COMPANIES INC., A WICHITA HEAVY-EQUIPMENT SUPPLIER. JEROME WILLIAMS, EMPLOYMENT MANAGER AT BEECH AIRCRAFT CORP. WILLIAMS ALSO IS ON THE WICHITA SCHOOL BOARD. ESTELA MARTINEZ, PRESIDENT OF LITTELL INC., WHICH OWNS A SHOPPING CENTER AND A WICHITA HOME DECORATION STORE. MARTINEZ ALSO WAS ON THE WICHITA CITY COUNCIL FROM 1989 TO 1991.

WE BEGAN OPERATION IN JUNE OF 1993 WITH A \$1,000,000.00 COMMITMENT FROM FOURTH FINANCIAL CORPORATION. THE SIX MONTH OF THE 1993 OPERATION WAS CERTAINLY A LEARNING PERIOD AS WE HAD LITTLE EXPERIENCE ON WHICH TO BEGIN. DURING THAT PERIOD, WE MADE COMMITMENTS OF \$528,000.00 TO PROJECTS IN 9 KANSAS COMMUNITIES RANGING IN SIZE FROM CANEY TO WICHITA. THE FOLLOWING ARE BRIEF SUMMARIES OF THESE PROJECTS:

**INVESTMENTS: 2432 N. PIATT / 3033 MAPLEWOOD, WICHITA, KANSAS**

THESE PROPERTIES ARE LOCATED IN A LOW AND MODERATE INCOME AREA, ARE VACANT AND IN NEED OF REHABILITATION.

AFTER THE PROPERTIES WERE PURCHASED, THEY WERE REHABILITATED TO A QUALITY LIVABLE CONDITION AND SOLD TO FAMILIES INTERESTED IN HOME OWNERSHIP AND NOT AS INVESTMENT PROPERTY.

**THE VALUE OF THIS PROJECT TO THE CDC MISSION IS AS FOLLOWS:**

1. CREATED AFFORDABLE HOME OWNERSHIP.
2. UTILIZED SMALL AND MINORITY-OWNED BUSINESSES FOR THE REHABILITATION OF THESE PROPERTIES. ONE WAS A SMALL MINORITY-OWNED CONSTRUCTION FIRM AND THE OTHER IS AN ORGANIZATION THAT TRAINS UNEMPLOYED BY HAVING THEM APPRECIATE ON PROJECTS LIKE THIS ONE.

**LUL-LA-BYE LEARNING CENTER, TOPEKA, KANSAS**

AT THE JUNE 24, 1993, CDC BOARD MEETING, THERE WAS AN UNANIMOUS VOTE BY THE DIRECTORS FOR AUTHORIZATION TO ENTER INTO A CONTRACT FOR DEED WITH THE LUL-LA-BYE DAY CARE CENTER FOR THE PURCHASE OF A BUILDING. THE DAY CARE CENTER IS MINORITY-OWNED, HAS LEASED THE PROPERTY FOR SEVERAL YEARS AND SERVES APPROXIMATELY 40 CHILDREN OF LOW AND MODERATE INCOME FAMILIES.

THE TERMS OF THIS CONTRACT WILL ALLOW THE OWNERS TO PURCHASE THE BUILDING, INCLUDING INSURANCE AND TAXES FOR LESS THAN THE MONTHLY LEASE PAYMENT. WITHOUT THE ASSISTANCE OF THE CDC, THIS LOAN COULD NOT BE MADE AS THE OWNERS DO NOT HAVE THE ADDITIONAL CAPITAL INFUSION REQUIRED FOR TRADITIONAL FINANCING.

**THE VALUE OF THIS PROJECT TO THE CDC MISSION IS AS FOLLOWS:**

1. SUPPORTS THE DEVELOPMENT OF A SMALL MINORITY-OWNED BUSINESS THAT SERVES THE LOW AND MODERATE INCOME COMMUNITY.
2. WITHOUT THE FINANCING BEING PROVIDED BY THE CDC, THIS LOAN WOULD NOT HAVE BEEN MADE.



3. BECAUSE OF THIS LOAN, THE OWNER WILL BE ABLE TO INCREASE HER CAPACITY FOR SERVING CHILDREN BY 50% AND WILL HIRE TWO ADDITIONAL STAFF.

#### **K & K CONSTRUCTION COMPANY INC., WICHITA, KANSAS**

AT THE SEPTEMBER 24, 1993, CDC BOARD MEETING, THERE WAS AN UNANIMOUS VOTE BY THE DIRECTORS TO MAKE A LOAN TO K & K CONSTRUCTION CO. THIS LOAN WOULD SUPPLEMENT A LOAN OF THE SMALL BUSINESS ADMINISTRATION (SBA).

THE PARTICIPATION IN THIS LOAN BY THE CDC WILL ALLOW K & K, A SMALL MINORITY-OWNED BUSINESS, TO PURCHASE EQUIPMENT AND SERVICE THE INITIAL COSTS TO PERFORM CONTRACTS TOTALLING \$4 MILLION BY FEMA RELATED TO FLOOD RESTORATION PROJECTS IN THE KANSAS CITY AREA. IT WILL ALSO ALLOW K & K TO EXPAND ITS OPERATIONS TO A NEW LEVEL AND TO PROVIDE ADDITIONAL EMPLOYMENT. THE CDC'S PARTICIPATION IN THIS PROJECT WILL HAVE GREAT VALUE TO ITS MISSION AS LISTED BELOW:

#### **THE VALUE OF THIS PROJECT TO THE CDC MISSION IS AS FOLLOWS:**

1. SUPPORTS A MINORITY-OWNED BUSINESS.
2. LEVERAGING OF CDC INVESTMENT PROVIDES SIGNIFICANT SBA GUARANTEED WORKING CAPITAL.
3. INVESTMENT ALLOWS CONTRACTOR (K&K) TO MAINTAIN EMPLOYMENT OF 10 EMPLOYEES AND TO PROVIDE ADDITIONAL EMPLOYMENT FOR 10 ADDITIONAL EMPLOYEES.
4. THE PROJECT SERVES OUR BANK IV WICHITA AND KANSAS CITY MARKET.
5. SBA WOULD NOT MAKE THIS LOAN WITHOUT THE CAPITAL INFUSION FROM THE BANK IV CDC.

#### **BAKERY PURCHASE**

LOAN MADE TO ENABLE BORROWER TO SECURE SMALL BUSINESS ADMINISTRATION LOAN.

#### **THE VALUE OF THIS PROJECT TO THE CDC MISSION IS AS FOLLOWS:**

1. ASSISTS AN ENTREPRENEUR IN THE PURCHASE AND EXPANSION OF HIS BUSINESS.

2. CREATES PARTNERSHIP BETWEEN THE CDC AND THE SMALL BUSINESS ADMINISTRATION.
3. PROVIDES A GAP FINANCING WHICH IS CRITICAL TO OBTAINING A \$240,000 SBA LOAN; IN EFFECT WE'RE CREATING OVER A 1/4 MILLION LOAN BY OUR \$5,000 PARTICIPATION.

### **LIBERAL PROJECT**

NORTHEAST AREA REHABILITATION (NEAR) OF LIBERAL, KANSAS WISHES TO BUILD A SPEC HOME AND IS SEEKING FINANCING FROM THE CDC IN THE AMOUNT OF \$51,500.

THIS IS ONE OF SEVERAL HOMES WHICH NEAR WILL BUILD AND SELL IN THE NORTHEAST AREA OF LIBERAL.

HOUSE WILL HAVE 1120 SQUARE FEET. THREE BEDROOMS/TWO BATHROOMS INCLUDING CENTRAL HEAT/AIR.

HOUSE WILL BE SOLD TO A LOW TO MODERATE INCOME FAMILY.

NEAR GROUP APPEARS TO HAVE AN EXCELLENT COMMUNITY-WIDE SUPPORT.

#### **THE VALUE OF THIS PROJECT TO THE CDC MISSION IS AS FOLLOWS:**

1. CREATES HOME OWNERSHIP FOR A LOW TO MODERATE INCOME FAMILY.
2. CREATES A PARTNERSHIP BETWEEN THE BANK IV CDC, A NEIGHBORHOOD ORGANIZATION (NEAR) AND THE CITY AND COUNTY OF LIBERAL WHO HAVE CONTRIBUTED TO THIS PROJECT.
3. OUR PARTICIPATION WILL ALLOW THE FIRST PROJECT TO BE INITIATED WITH PLANS FOR 5 MORE.

### **NEIGHBORHOOD INVESTMENTS**

CANEY, KS: APPROVAL OF \$40,000, FOR THE CONSTRUCTION OF A LOW TO MODERATE INCOME SINGLE FAMILY DWELLING. THE TARGET AREA WILL BE ADJACENT TO AN EXISTING AREA OF APPROXIMATELY TEN YEAR OLD LOW TO MODERATE INCOME HOUSING.

COFFEYVILLE, KS: APPROVAL OF \$30,000, FOR THE PURCHASE AND RENOVATION OF A LOW TO MODERATE INCOME SINGLE FAMILY DWELLING TO BE OWNER-OCCUPIED.

THE TARGET AREA WILL BE A MINORITY NEIGHBORHOOD WITH PROPERTIES IN NEED OF REHABILITATION.

INDEPENDENCE, KS: APPROVAL OF \$30,000 FOR THE PURCHASE AND RENOVATION OF A LOW TO MODERATE INCOME SINGLE FAMILY DWELLING. THE TARGET AREA WILL BE A MINORITY NEIGHBORHOOD OR AN OLDER NEIGHBORHOOD IN THE CENTRAL CORRIDOR OF THE CITY THAT WILL ATTRACT RETIRED BUYERS ON FIXED INCOMES.

HAYS, KS: APPROVAL OF \$75,000 FOR THE PURCHASE AND RENOVATION OF TWO HOUSING UNITS IN A LOW TO MODERATE INCOME NEIGHBORHOOD. THE REINVESTMENT IN THIS NEIGHBORHOOD WILL HELP REVERSE THE TREND OF SINGLE FAMILY OWNER-OCCUPIED HOUSING BEING CONVERTED INTO NON-OWNER OCCUPIED RENTALS.

SALINA, KS: APPROVAL OF \$35,000 FOR THE PURCHASE AND REHABILITATION OF A HOUSING UNIT IN A LOW TO MODERATE INCOME NEIGHBORHOOD. THIS HAS BEEN COMPLEMENTED BY A CONSORTIUM OF THE LOCAL SALINA BANKS WORKING WITH HABITAT FOR HUMANITY TO RENOVATE DETERIORATED NEIGHBORHOODS IN SALINA.

ELDORADO, KS: APPROVAL OF \$50,000 FOR THE CONSTRUCTION OF A NEW AFFORDABLE HOME IN THE RIVERSIDE AREA OF ELDORADO. THIS CONSTRUCTION WILL BE ON A LOT THAT IS BEING DONATED BY THE CITY OF ELDORADO. IT IS LOCATED IN A LOW TO MODERATE INCOME AREA IN ELDORADO AND IS ANTICIPATED THAT THIS WILL SPUR OTHERS TO BUILD ADDITIONAL AFFORDABLE HOUSING IN THE RIVERSIDE AREA ALONG WITH THE CONTINUANCE OF BANK IV ELDORADO EFFORTS IN THIS AREA.

#### **EAST 21ST STREET/LUCKY 7 PAWN SHOP**

ASSIST BUSINESS PERSON IN REHABILITATION OF STRIP SHOPPING CENTER.

#### **THE VALUE OF THIS PROJECT TO THE CDC MISSION IS AS FOLLOWS:**

1.     ASSISTS A MINORITY BUSINESS OWNER IN THE EXPANSION OF HIS BUSINESS.
2.     HELPS SUPPORT THE REDEVELOPMENT EFFORTS OF A DETERIORATED BUSINESS AREA IN NORTHEAST WICHITA.
3.     PROVIDES THE GAP FINANCING NEEDED DUE TO THE OWNER UTILIZING ALL EXCESS CASH FOR THE PURCHASE OF THE STRIP CENTER.

THESE ARE SOME OF OUR ACTIVITIES IN 1993. OUR GOALS IN 1994 ARE TO BECOME MORE AGGRESSIVE -- TO TRIPLE OUR EFFORTS AND TO EXPAND THEM INTO SUCH AREAS AS APARTMENTS FOR THE ELDERLY, MULTI-FAMILY UNIT REHABILITATION AND OTHER PROJECTS APPROPRIATE TO OUR MISSION.

WHILE WE ARE PROUD OF WHAT WE HAVE DONE, WE KNOW COMPARED TO THE NEEDS IN OUR COMMUNITIES, IT IS STATISTICALLY INSIGNIFICANT. BUT TO THOSE WHO NOW HAVE CLEAN AFFORDABLE HOUSING AND TO THEIR NEIGHBORS TO SEE POSITIVE RESULTS, NOT PROMISES TOUCHING THEIR LIVES, IT IS SIGNIFICANT. TO THE MAN WHO WORKED 19 YEARS, MUCH OF IT OUT OF HIS HOME AS A PASTRY BAKER, IT IS THE DREAM COME TRUE OF OWNING HIS OWN BAKERY -- TO HIM IT IS SIGNIFICANT. TO THE MINORITY CONSTRUCTION FIRM THAT DOUBLED ITS WORK FORCE, PURCHASED NEEDED EQUIPMENT AND IS ON TRACK TO EARN RECORD PROFITS -- IT IS SIGNIFICANT. FOR THE WOMAN WHO HAD EARNED THE RIGHT TO A BRIGHT FUTURE AS A DAY CARE PROVIDER, AND NOW IS BUYING THE BUILDING WHERE THAT FUTURE IS A REALITY, IT IS SIGNIFICANT.

THE BANK IV CDC ALONE, IS NOT GOING TO CHANGE THE FACE OF OUR COMMUNITIES AND STATE -- BUT WITH OTHER PROGRAMS, OTHER ORGANIZATIONS, OTHER PRIVATE SECTOR PARTNERS, WE CAN MAKE A SIGNIFICANT DIFFERENCE.

WHAT MIGHT BE THE ROLE OF THE LEGISLATURE IN DEVELOPMENT AND EXPANSION OF COMMUNITY DEVELOPMENT CORPORATIONS? WITH THE DIFFICULT FISCAL CHALLENGES YOU FACE -- INCREASED DEMANDS BY THE PUBLIC FOR GOVERNMENT SUPPORT AND DECREASING WILLINGNESS TO PAY FOR IT -- THERE ARE SCARCE IF ANY, RESOURCES.

I AM A BELIEVER IN INCENTIVE PROGRAMS IF THEY ARE STRUCTURED TO ENSURE THAT THE RESULTS ARE DIRECTLY LINKED TO THE INCENTIVES. WITH OR WITHOUT GOVERNMENT INCENTIVES, FOURTH FINANCIAL CORPORATION WILL CONTINUE OUR COMMITMENT TO THE BANK IV COMMUNITY DEVELOPMENT CORPORATION. OBVIOUSLY, IF A KANSAS TAX CREDIT WERE AVAILABLE TO THE PRIVATE SECTOR FOR CONTRIBUTIONS TO COMMUNITY DEVELOPMENT CORPORATION, DEPENDING ON THE VALUE OF THE TAX CREDIT, CONTRIBUTIONS

WOULD CERTAINLY BE ENHANCED. THE FEDERAL AFFORDABLE HOUSING TAX CREDIT HAS PROVEN ITSELF AND I BELIEVE SOMETHING SIMILAR OR AN EVEN SIMPLER DIRECT CONTRIBUTION TAX CREDIT COULD BE EFFECTIVE. PLEASE UNDERSTAND, I AM NOT HERE TODAY ASKING FOR SUCH LEGISLATION. MY PURPOSE WAS TO SHARE THE BANK IV EXPERIENCE WITH A COMMUNITY DEVELOPMENT CORPORATION. I ONLY ASK THAT WHEN YOU CONSIDER THE CREATION OF NEW, OR EXPANSION OF EXISTING STATE PROGRAMS THAT ADDRESS THE ISSUES OF AFFORDABLE HOUSING AND SMALL BUSINESS ENHANCEMENT, YOU CONSIDER LEVERAGING STATE EFFORTS THROUGH INCENTIVE PROGRAMS USING PRIVATE SECTOR APPROACH AS OPPOSED TO FUNDING MORE GOVERNMENT IN AN ATTEMPT TO DO WHAT COMMUNITY/PUBLIC/PRIVATE PARTNERSHIPS HAVE SHOWN THE CAPACITY TO DO WELL.

THANK YOU.

## **EXHIBITS**

- 1) MISSION STATEMENT
- 2) POLICIES (BROCHURE)
- 3) ARTICLES

## **BANK IV COMMUNITY DEVELOPMENT CORPORATION**

### **Mission**

The BANK IV Community Development Corporation (CDC) will strengthen the communities served by BANK IV by investing in individuals, neighborhoods and small business who meet the definition of low and moderate income with a special focus on groups/individuals who traditionally have been denied or have had difficulty in obtaining credit. The BANK IV CDC is committed to achieving its mission through real estate rehabilitation, credit enhancement, and support services using the CDC's financial resources and expertise in partnership as appropriate with business, government and non-profit organizations.

### **BANK IV CDC POLICY**

1. The project must serve low and moderate income segments of the community.
2. The CDC will not be used for grant making or charitable giving.
3. While our mission is to strengthen our communities by investing in low and moderate income individual, neighborhoods and small businesses, it shall be achieved in a business environment with a focus on projects that will have modest financial success.
4. Profits shall be returned to the CDC for further project development.
5. The CDC will participate in those communities where BANK IV banks are located.



## Topeka Day-Care Center Benefits From CDC

Day-care has become a precious commodity for millions of families. So when Agnes Adeboye of Lul-la-bye Learning Center in south-central Topeka wanted to buy the building she had been leasing to run her family-owned daycare center, she did what every businessperson would do for financing — she turned to a bank.

This is where Adeboye ran into some difficulty. This is also where the BANK IV Community Development Corporation (CDC) came into play. Working with a certain degree of flexibility that regular banking channels just don't have, the CDC bought

the building from the bank that owned it and then turned around and sold it to Adeboye at a lower-than-market interest rate.

"Our financing with the CDC has allowed us to hire more teachers, add a new playground and increase the number of children we can handle," says Adeboye. "My mother, my daughter and I have put so much of our savings and our dreams into the day-care center, and it's frustrating when you see needs and can't fulfill them. Now we are better able to serve our community. The CDC has freed me up to fulfill a lot of dreams."

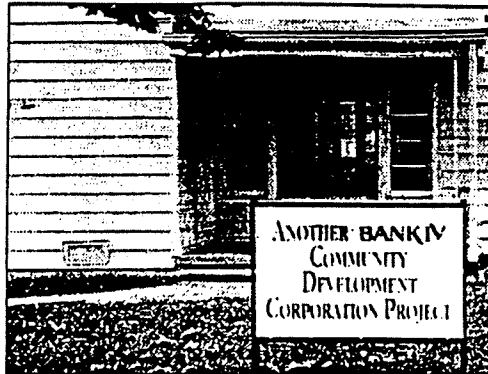


*Agnes Adeboye turns her dreams into reality. From left to right are: Doria Watson, Consumer Loan Officer and CRA Coordinator, BANK IV Topeka; Lillie Belle Steele, Lul-la-bye Day-care; Ken Alexander, President, BANK IV Topeka; Kimberly Kearsse, Lul-la-bye Learning Center; Agnes Adeboye, Lul-la-bye Learning Center and Marty Gold, Vice President, Special Assets, BANK IV Topeka.*

# Construction Noise Sweet Music

For people in northeast Wichita who woke to pounding hammers and construction trucks in August and September, the sounds were music to their ears, not unwelcome irritants. These sounds not only represent growth and redevelopment, but also the BANK IV Community Development Corporation (CDC) at work.

What was all the noise about? The BANK IV CDC arranged with a minority contractor to renovate and sell a house in northeast Wichita to an owner-occupant. Improvements included roof repair, putting in fill dirt, cleaning, painting and tearing out shrubs and trees. A sign that read "Another BANK IV Community Development Corporation Project" prompted many calls to BANK IV from members of the community.



*The CDC is on the move in northeast Wichita.*

The CDC has also been working with DETAMC, a Wichita-based minority-owned enterprise that endeavors to teach unemployed people new skills, such as wiring or house painting. DETAMC is providing a supervisor to teach the skills, and the BANK IV CDC is providing houses to be fixed up and the financing for the improvements.

"Both projects represent a strong beginning for the CDC and the low-to moderate-income communities BANK IV serves," says John Rolfe, Vice President, BANK IV CDC. "These projects not only create jobs and provide

affordable housing, they also instill a new sense of pride for the people of the community."

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# Bank IVs to invest in poor areas

By ALAN STOLFUS  
The Salina Journal

Salina and several other north-central and northwest Kansas communities could benefit from a new subsidiary of the Fourth Financial Co., Wichita.

The holding company of Bank IV banks has formed Bank IV Community Development Corp. to invest in low- and moderate-income areas.

The corporation is one way for the bank to comply with federal regulations requiring it to provide services to all parts of the community.

A bank helping its community is helping itself, one bank official said.

Banks "have come to the enlightenment that a bank can't be any better than its community," said Gary Sherrer, Fourth Financial senior vice president and president of the development corporation.

"If a bank lets a part of town deteriorate, the bank is hurt."

For 1993, the corporation has \$1 million to invest in low-income areas. The money, available in the 31 communities served by Bank IV, can

**"A bank can't be any better than its community. If a bank lets a part of town deteriorate, the bank is hurt."**

— Gary Sherrer, Fourth Financial Co.

be used to make loans, buy property and invest in projects.

The corporation allows the company to make investments that normally would be denied because of too high of risk, Sherrer said.

"What it can do is just about everything bankers have ever dreamed of doing — own real estate, manage real estate, take equity positions" in business ventures, said Larry Meeker, community affairs officer for the Federal Reserve Bank of Kansas City, Mo.

Based in Wichita, the corporation will rely on the local banks to recommend projects and work with potential clients.

Sherrer gave some examples of

how the corporation could work:

■ A local group wants to rehabilitate an apartment building into low-income housing. The corporation could become a partner to provide funding.

■ A group of businesses want to form a new business for retraining workers. The corporation could provide funding for the project.

■ Land is available for new housing that would improve an older neighborhood. The corporation could buy the land, develop it and then sell it.

"This is not charity," Sherrer said. "We're not giving these things away. We may be the investment capital, and then Bank IV could make the

loans."

The projects in mind are riskier, he said. But if they succeed, they will help the community.

Banks have a high awareness now of working with all parts of their community because of the federal Community Reinvestment Act, which bank regulators view as a high priority, Sherrer said.

"We are looking for new and creative ways to make sure we are in compliance with that regulation," he said.

The Community Reinvestment Act, passed in 1977, requires banks to serve the credit needs of their communities, including low- to moderate-income people, Meeker said.

The regulation also requires regulators to review that service when banks seek approval to buy or merge with other banks. For that reason, banks want to comply, Meeker said.

So far, the Bank IV Community Development Corporation is the largest such corporation to be approved by the Federal Reserve Bank of Kansas City.

MAY 26 1993

KANSAS  
Wichita Eagle

# Fourth to invest in low-income areas

## Subsidiary to provide seed money for housing

By David Algeo  
The Wichita Eagle

Wichita-based Fourth Financial Corp. has a new subsidiary, Bank IV Community Development Corp., that will invest in low-income housing and help create jobs in Wichita and other cities served by Fourth Financial.

The subsidiary's focus will be on buying and redeveloping residential property in low-income neighborhoods, said Fourth Financial Chairman Darrell Knudson.

The corporation already has a project in mind for a low-income Wichita neighborhood, but Knudson said Tuesday it was too soon to release details.

Fourth Financial has authorized \$1 million for Bank IV Community Development's first year of operation. Additional capital will be injected in future years, he said.

The \$1 million will be used to leverage additional money, just as a down payment helps a consumer obtain loans with which to buy a house, Knudson said.

Gary Sherrer, senior vice president of public affairs for Fourth Financial, was named president of Bank IV CDC.

Most of the Bank IV Community Development's activities will take place in urban areas served by Fourth Financial's Bank IV Kansas and Bank IV Oklahoma divisions, Knudson said.

Typically, the bank subsidiary will work with a developer to upgrade or build low-income housing. The subsidiary will invest its own money and provide financial-management expertise. It also will help the developer find other sources of money with which to undertake projects.

Once a project is completed, the corporation will move on to another project, not playing the role of landlord or real-estate agent, even though it has an ownership stake in the project.

Community development corporations generally don't earn profits for banks, but

they benefit banks in two ways, said Larry Meeker, community affairs officer at the Federal Reserve Bank of Kansas City, which oversees community-development corporations in Kansas and surrounding states.

Over the long term, banks that rebuild blighted neighborhoods benefit when the neighborhoods become "more bankable," Meeker said.

"When people see the bank investing in the neighborhood, they gain some confidence. They may invest as well. The bank obtains more customers," he said.

Over the short term, community development corporations also may help banks meet requirements of the federal Community Reinvestment Act, which requires banks to make mortgage loans in low-income areas.

"We say that communities should be better off because we are here," Knudson said. "If we can't make the communities better off, we probably shouldn't be here — Irrespective of the Community Reinvestment Act."



"If we can't make the communities better off, we probably shouldn't be here." — Darrell Knudson

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# BUSINESS

THE COFFEYVILLE JOURNAL

TUESDAY, June 1, 1993

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## CDC will bolster home ownership

225 By TIM FLOWERS  
City Editor

Corporation will target low- and moderate-income residents

Low- and moderate-income residents in the area who may have been turned down for a home loan in the past could find it easier to qualify in the future.

Wichita's Fourth Financial Corp., the company that owns Bank IV, has established the Bank IV Community Development Corporation in order to address the needs of "disadvantaged urban and rural neighborhoods served by our Bank IV banks," according to Darrell Knudson, chairman of Fourth Financial. "Its focus will be on affordable housing and job creation."

The Fourth Financial board has authorized \$1 million for the first year of the CDC's operation.

David Wheeler, president of Bank IV Montgomery County, said the CDC's initial operational base will be in Wichita. Howev-

er, he said it is something that the local organization can tie into as the need arises.

"How soon? That's a good question. But obviously, we can't go everywhere in the state at once," he said.

Wheeler explained that most of the work the CDC performs will be in conjunction with other organizations, like public housing authorities or community economic development committees. "It's not like a loan, which traditionally spans over a long period of time. Rather, it's money to get a deal done," he said.

The idea, he said, is for the CDC to be "leveraging" as much as possible.

As an example, he said similar organizations will "go into an area where there is both a need for housing and for home financing for people who may not be able to

come up with large down payments.

"Let's say you have a good credit history and a stable job. We'll help you. We'll help a local development company build you a house and help you get a loan by giving you the down payment," he said.

"Once you have earned a loan by paying the down payment back, we'll buy you back into the traditional home mortgage market," Wheeler explained.

"The beauty of a CDC is, it can legally do things a bank can't do. A CDC can get directly involved in the projects," he said.

"This is not a foundation giveaway...it's a help program to help people obtain housing economically," he said.

Another example would be assisting to rebuild areas where blighted or dangerous structures have been razed, he said.

"It (the CDC) would try to rebuild that area by building homes so they could someday be added back to the tax base," he said. "They funds would not go to the developer so much as to the non-profit organization or the final recipient of the housing to try and make the deal work."

CDC's of this type were authorized under the auspices of the Federal Deposit Insurance Corporation Improvement Act of 1991. The act offers tax credits of from 5 to 15 percent for institutions that initiate actions to make credit available in economically distressed areas.

One of the qualifying activities is: "Financial assistance provided through community development corporations," according to the act, which is officially Public Law 102-242.

Typically, CDC's become involved in activities not otherwise permissible to a non-CDC subsidiary of a bank holding company. Federal Reserve guidelines specify that investment dollars should not represent an undue risk to the banking organization establishing the corporation.

A CDC may purchase, own, rehabilitate, construct, manage and sell real property, according to Knudson. It can also make equity or debt investments in development projects and local businesses, and participate in a variety of joint ventures with existing or new community redevelopment corporations. The Bank IV CDC is not for the purpose of charitable funding.

"As a banking company, we feel we have an obligation to serve all parts of our community," Knudson said. "The CDC will complement our current efforts by allowing us to proactively invest in projects that respond to community needs."

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MAY 29 1993

KANSAS  
Garden City Telegram

## 225 Bank IV CDC opened

Fourth Financial Corporation has established a new subsidiary to address the financial needs of low- and moderate-income neighborhoods, families and small businesses in the communities served by the company's BANK IV banks.

The new organization, the BANK IV Community Development Corporation (CDC), is the largest CDC to be approved by the Federal Reserve Bank of Kansas City, which serves a multi-state region. The CDC is designed "to provide economic opportunities in disadvantaged urban and rural neighborhoods served by our BANK IV banks," said Fourth Financial Chairman Darrell Knudson. "Its focus will be on affordable housing and job creation."

The Board of Directors of Fourth Financial has authorized \$1 million for the first year of the BANK IV CDC's operation.

An initial board of directors, composed of individuals with both business and community leadership backgrounds, has been appointed. Gary Sherrer, Senior Vice President of public affairs for Fourth Financial, has been appointed president of the BANK IV CDC. A full-time director will be hired to coordinate CDC activities in Kansas and Oklahoma.

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MAY 28 1993  
KANSAS

Wichita Business Journal

than those officials desired.

225  
Fourth Financial Corp. this week announced the establishment of the Bank IV Community Development Corp.

The CDC is intended to better address the financial needs of low and moderate income families, small businesses and neighborhoods in the communities served by Fourth Financial's Bank IV banks.

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Emporia Gazette

225  
Fourth Financial Corporation has established a new subsidiary to better address the financial needs of low- and moderate-income neighborhoods, families and small businesses in the communities served by the company's Bank IV banks, according to a news release.

The new organization, the Bank IV Community Development Corporation, is the largest CDC to be approved by the Federal Reserve Bank of Kansas City, which serves a multi-state region. The CDC is designed to "provide economic opportunities in disadvantaged urban and rural neighborhoods served by our Bank IV banks," according to Fourth Financial chairman Darrell Knudson. "Its focus will be on affordable housing and job creation."

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MAY 30 1993

KANSAS  
Pittsburg Morning Sun

## Fourth Financial 225 creates subsidiary

Fourth Financial Corporation has established a new subsidiary to better address the financial needs of low and moderate income neighborhoods, families and small businesses in the communities served by the company's Bank IV banks.

The new organization, the Bank IV Community Development Corporation, is the largest CDC to be approved by the Federal Reserve Bank of Kansas City, which serves a multi-state region.

The CDC is designed to "provide economic opportunities in disadvantaged urban and rural neighborhoods served by our Bank IV banks," according to Fourth Financial Chair Darrell Knudson. "Its focus will be on affordable housing and job creation."

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A full time director will be hired to coordinate CDC activities in Kansas and Oklahoma.

A CDC may purchase, own, rehabilitate, construct, manage, and sell property.

Also, it may make equity or debt investments in development projects and in local businesses, and it may participate in a variety of joint venture investments with existing or new community redevelopment corporations.

Bank IV CDC is not for the purpose of charitable funding.

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