

Approved: February 10, 2010
Date

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairman Lana Gordon at 3:30 p.m. on February 3, 2010, in Room 152-S of the Capitol.

All members were present except:

Representative Lisa Benlon- excused
Representative Owen Donohoe- excused
Representative Don Myers- excused

Committee staff present:

Doug Taylor, Office of the Revisor of Statutes
Reed Holwegner, Kansas Legislative Research Department
Brandon Riffel, Kansas Legislative Research Department
Ann Deitcher, Committee Assistant

Conferees appearing before the Committee:

Mike Hayden, Secretary, Kansas Wildlife & Parks
Jeff Conway, Legislative & Administrative Liaison, Commerce Department

HB 2434 - concerning state parks; relating to the naming thereof.

Brandon Riffel explained **HB 2434** to the Committee.

Secretary Mike Hayden addressed the Committee regarding **HB 2434**. (Attachments 1 and 2).

Speaking of the merits of the bill which would rename the Prairie Spirit Rail Trail as the Prairie Spirit Trail State Park, he said that it would also recognize the trail as a recreational opportunity similar to other parks such as Sand Hills and Kaw River state parks.

When asked if the current permit fees covered the cost of maintenance, Secretary Hayden said that it did help to defray some of the cost but not all of it. He pointed out that in most cases, the local communities are able to offer economical assistance.

Questions and answers followed.

HB 2551 - Concerning recovery zone bonds; granting authority to the Commerce Department to recapture unissued bonds.

Reed Holwegner explained **HB 2551** to the Committee.

Jeff Conway addressed the Committee in regard to **HB 2551** saying it was primarily designed to authorize the Department of Commerce to recapture allocated funds under two separate bond programs so that they be reallocated to other local governments that need those funds. (Attachment 3).

The Recovery Zone Bonds are targeted to areas particularly affected by job loss and are intended to help local governments obtain financing for much needed economic development projects, such as public infrastructure development.

Regarding the Qualified Energy Conservation Bonds (QECBs), Mr. Conway said that the advantage of these bonds is that they are issued - theoretically - with 0% interest rate. The borrower pays back only the principal of the bond, and the bondholder receives federal tax credits in lieu of the traditional bond interest.

Questions and answers followed.

CONTINUATION SHEET

Minutes of the House Economic Development and Tourism Committee at 3:30 p.m. on February 3, 2010, in Room 152-S of the Capitol.

HB 2553 - Concerning the Commerce Department; relating to the Kansas enterprise zone act.

Reed Holwegner explained **HB 2553** to the Committee.

Jeff Conway addressed the Committee in regard to **HB 2553**. (Attachment 4).

Mr. Conway explained that the bill updated some references to the Standard Industrial Classification (SIC) code in the state statutes by converting them to references to the successor North American Industry Classification System (NAICS) code.

NAICS was developed under the auspices of the federal Office of Management and Budget (OMB), and adopted in 1997 to replace the SIC code. Every effort was made to faithfully convert the old SIC code categories into the corresponding NAICS code categories, but a perfect match was often not possible.

The HPIP program allowed the Secretary of Commerce to determine eligibility for the program when a difference existed between the SIC code and the NAICS code. With the elimination of the use of the SIC code by this bill, it was proposed that the Secretary still retain some discretion to determine eligibility for the program if the company's primary business activity did not align perfectly with the NAICS categories in place at the time of application.

HB 2554 - Concerning the economic revitalization and reinvestment act; authorizing the issuance of bonds for certain economic development projects.

Reed Holwegner explained **HB 2554** to the Committee.

Doug Taylor then explained the amendment to **HB 2554**.

Jeff Conway spoke of the amendments in **HB 2554**, i.e. the deletion of the word "and" and the insertion of the word "or" on page 5, line 5 and page 6, line 22

A motion was made by Representative Slattery to make this amendment to **HB 2554**. Representative Furtado seconded the motion which passed on a voice vote.

A motion was made by Representative Slattery and seconded by Representative Worley to pass **HB 2554** as amended. The motion passed on a voice vote.

It was moved by Representative Seiwert and seconded by Representative Slattery that **HB 2551** be reported favorable for passage. The motion carried on a voice vote.

A motion was made by Representative Flaharty and seconded by Representative Winn to place **HB 2553** on the consent calendar. The motion carried on a voice vote.

A motion was made by Representative Worley to amend **HB 2434** by adding the word "rail" to precede "trail" in line 31. The motion was seconded by Representative Winn and failed on a voice vote.

CONTINUATION SHEET

Minutes of the House Economic Development and Tourism Committee at 3:30 p.m. on February 3, 2010, in Room 152-S of the Capitol.

It was moved by Representative Flaherty and seconded by Representative Slattery to place **HB 2434** on the consent calendar. The motion passed on a voice vote.

The next meeting is scheduled for Monday, February 8, 2010.

The meeting was adjourned at 4:30 p.m.

Testimony on House Bill No. 2434
To
House Committee on Economic Development and Tourism
By
J. Michael Hayden, Secretary
Kansas Department of Wildlife and Parks
February 3, 2010

The Kansas Department of Wildlife and Parks (KDWP) appreciates the opportunity to discuss the merits of House Bill no. 2434 which renames the Prairie Spirit Rail Trail as the Prairie Spirit Trail State Park and includes the trail on the list of state parks. This action will recognize the trail as a recreational opportunity similar to other parks such as Sand Hills and Kaw River state parks.

The Prairie Spirit Rail Trail is a 51 mile trail that extends from the center of Ottawa to the center of Iola. The trail was built in three segments with the first segment opened on March 30, 1996. The last segment was opened in August 2008. The trail is used for non-motorized activities such as biking and hiking. There are no camping opportunities on the rail but such facilities are available in Garnett.

The provisions of House Bill No. 2434 will allow KDWP to use additional funding sources to support the Trail. Currently the Department is restricted by state law from financing trail operations from the Park Fee Fund. In addition, the Trail will receive more public exposure as a state park and KDWP will be able to promote the trail on the Department website and other venues with the state parks.

The Trail is almost 14 years old and it is time to list it with the state parks as a unique recreational opportunity. Your favorable consideration of House Bill No. 2434 would be appreciated. Thank you.

February 2, 2010

Secretary Mike Hayden
 Kansas Department of Wildlife and Parks
 1020 S. Kansas Ave.
 Topeka, KS 66612-1327



Re: Prairie Spirit Trail

Dear Mr. Hayden:

We are excited about the possibility of the Prairie Spirit Trail becoming a "State Park" instead of a state operated park. The successful promotion of the trail will mean extra dollars to our community and others along the 51 mile route from Ottawa to Iola.

Everything of value needs promotion; therefore we are in support of the Prairie Spirit Trail becoming a State Park. The added signage and addition of its listing on brochures and along Highway 59 will be very beneficial. This easily accessible trail provides an experience to travelers and locals alike who chose to take advantage of the trail system in Kansas whether walking or biking.

Please let us know if there is anything we can do to help gain this state designation for the Prairie Spirit Trail. We are here to support that effort.

The Franklin County Convention and Visitors Bureau is thankful for your efforts. We look forward to the successful promotion of the trail. You have our support.

Thanks for all you do.

Sincerely,

Kristi K. Lee, Executive Director
 Franklin County Convention & Visitors Bureau

Hospitality awaits...

PO BOX 203 • 2011 EAST LOGAN • OTTAWA, KANSAS 66067
 (785) 242-1411 • (785) 242-2238 fax • www.visitottawakansas.com

Economic Development & Tourism

Date: 2-3-10

Attachment # 2-1



Friends of the Prairie Spirit Rail Trail



P. O. Box 71, Garnett, Kansas 66032-0071 E-Mail: info@prairiespirittrail.org
Visit our website: www.prairiespirittrail.org

Secretary Mike Hayden
Kansas Department of Wildlife and Parks
1020 S Kansas Ave

Topeka Ks 66612-1327

Dear Mr. Secretary.

I am writing in regard to the Wednesday afternoon hearing about the Prairie Spirit Rail Trail becoming a part of the Kansas Park System. I am sorry I can not attend, the notice came to late , and I am committed to my granddaughters spelling bee.

Having been involved in the friends organization from day 1 , I have always felt that it only makes sense to be a part of the State Parks...It will give the trail more exposure , which should be a plus for the state as well as our 7 communities along the trail.

During our Friends 13 years, we have grown in numbers of support and are very active in the Garnett community. We do a number of community activities , including kids bike safety rodeos and Halloween, Christmas , picnics, chocolate night, fish trot twice a year with Wildlife and Parks and our upcoming Birthday Bash. We have such good attendance at our meetings and such willing workers. We invite you to our annual Birthday bash #14 this year on Mar. 10. We get people from other communities along the trail to attend..(Its great food) Seriously we would love to have you attend. Just let me know if you can work it In your busy schedule..

Hopefully , if the trail becomes part of the park system, we will get more exposure in the Kansas City, Lawrence and Topeka area..

Please relay to the committee that The Friends of the Prairie Spirit at Garnett would be extremely grateful if they would add the trail to the great Kansas park system .

Janice Hodgson , President
Friends of the Prairie Spirit Rail Trail
514 N Orange
Garnett, Kansas
785-448-6118

Hodgsondj @ embarqmail.com



Garnett Area Chamber of Commerce
419 S Oak St
Garnett KS 66032-1337
785-448-6767
garnettchamber@embarqmail.com

February 2, 2010

Secretary Mike Hayden
Kansas Department of Wildlife & Parks
1020 S. Kansas Avenue
Topeka, KS 66612-1327

FAX: 785.296.6953

RE: HB.2434 - Designating the Prairie Spirit Trail as a "State Park.

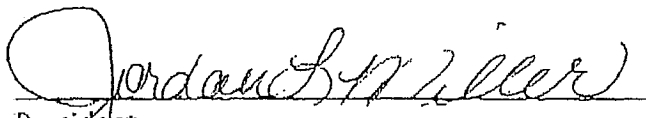
Dear Mr. Hayden:

The Garnett Area Chamber of Commerce supports HB 2434, making the Prairie Spirit Trail Officially the "Prairie Spirit Trail State Park".

The Prairie Spirit Trail is a draw for visitors to our community and a valuable asset to Garnett. We request that you convey to legislators our support of HB 2434.

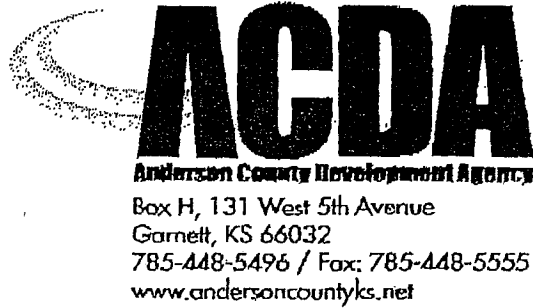
Thank you for your time and consideration in this matter.

Sincerely,



President
Mayor

2-3



February 2, 2010

Secretary Mike Hayden
Kansas Department of Wildlife & Parks
1020 S. Kansas Avenue
Topeka, KS 66612-1327

FAX: 785.296.6953

RE: HB 2434 - Designating the Prairie Spirit Trail as a "State Park".

Dear Mr. Hayden:

Please accept this letter as a Letter of Support for House Bill 2434, which if passed will declare the Prairie Spirit Trail as a State Park.

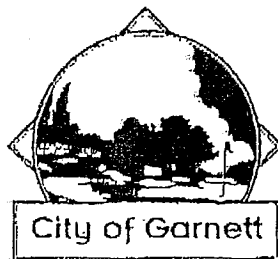
The Prairie Spirit Trail brings trail users, individuals and families to the area and with them value to our economy, as they spend their dollars locally during their visit. The Prairie Spirit Trail also serves as a great quality of life amenity to the rural Anderson County communities of Garnett, Colony, Scipio and Welda.

As the driving force of economic development in Anderson County, AÇDA supports this legislation. This designation will improve the visibility of the trail to state visitors, as well as out of state visitors, and potentially increase traffic to the area and impact the communities along the trail economically through additional expenditures.

Thank you for your consideration.

Sincerely,

Dennis Arnold
Director



February 1, 2010

Secretary Mike Hayden
 Kansas Department of Wildlife & Parks
 1020 S. Kansas Avenue
 Topeka, KS 66612-1327

FAX: 785.296.6953

RE: HB 2434
 Designation of Prairie Spirit Trail as a "State Park."

Dear Mr. Hayden:

Please accept this letter in support of pending legislation, HB 2434, changing the designation of the Prairie Spirit Trail from a state operated park to the official "Prairie Spirit Trail State Park".

The Prairie Spirit Trail is a valuable amenity to the City of Garnett and to the quality of life for its citizens. The trail brings many visitors to our community and passes through our city park facilities. It is only fitting that this trail becomes an official state park and be considered as such within the Kansas Department of Wildlife and Parks.

The City of Garnett supports this legislation and asks that during the hearing on Wednesday, February 3, 2010 at 3:30 p.m. in Room 152-S of the Capitol Building, my letter of support be acknowledged by those in attendance.

Thank you for your time and consideration in this matter.

Respectfully,

Christian C. Maynard
 Mayor

CCM/sw

g-5

February 2, 2010

Secretary Mike Hayden
Kansas Department of Wildlife & Parks
1020 S. Kansas Avenue
Topeka, KS 66612-1327

FAX: 785.296.6953

RE: HB 2434 – Prairie Spirit Trail becoming a State Park

Dear Secretary Hayden:

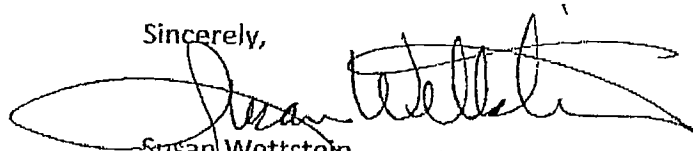
I am unable to attend the Hearing on Wednesday, February 3rd, concerning HB 2434. This bill would allow the Prairie Spirit Trail to be designated a state park.

I have been a supporter of the trail since its inception. This 51 miles of trail has been a wonderful thing for our area and has brought many communities together; connected or linked county and rural citizens in a way that cannot be described. The trail brings nice people to our city, and in some instances, has brought new residents here as well. Being able to say we have a state park in our midst, not just a trail managed by KDWP, would be a great thing for Garnett, and every community the trail passes through.

Please continue these efforts to see this bill through. I write *The Prairie Spirit Express* newsletter for the Friends of the Prairie Spirit Trail. It will be a great day when I can proudly call our trail, the "Prairie Spirit Trail State Park".

Thank you for your time.

Sincerely,



Susan Wettstein
617 South Hayes Street
Garnett, KS 66032

2-6

Testimony on HB 2551

to

The House Economic Development and Tourism Committee

By Jeff Conway
Legislative Liaison
Kansas Department of Commerce

February 3, 2010

Chairwoman Gordon and Members of the Committee:

HB 2551 is a bill that is primarily designed to authorize the Department of Commerce to recapture allocated funds under two separate bond programs so that they may be reallocated to other local governments that need those funds. Both programs are created and administered pursuant to federal law, and the law is clear that reallocations can be made by the state. It follows that Commerce should be given the authority to recapture those unused funds for reallocation, once the local governments have had a reasonable amount of time to issue their initial allocations.

The bill is patterned on existing Missouri law, and provides the necessary definitions to describe the bonds and provides cites to the appropriate federal law for the authority for their issuance. The bill also provides a mechanism by which the local governments receive notice of the allocation and either waive the allocation or provide a notice of intent to issue the bonds. The bill also authorizes Commerce to reallocate the recovered bond authority due to waiver or recapture.

Recovery Zone Bonds:

In June of 2009, the U.S. Treasury Department announced \$25 billion in bonds authority available under the Recovery Zone Bonds program. Created by the American Recovery and Reinvestment Act (Recovery Act), Recovery Zone Bonds are targeted to areas particularly affected by job loss and are intended to help local governments obtain financing for much needed economic development projects, such as public infrastructure development.

The Recovery Act included \$25 billion for two new types of Recovery Zone Bonds – \$10 billion for Recovery Zone Economic Development Bonds and \$15 billion for Recovery Zone Facility Bonds. Recovery Zone Economic Development Bonds are one type of taxable Build America Bond that allow state and local governments to obtain lower borrowing costs through a new

direct federal payment subsidy, for 45 percent of the interest, to finance a broad range of qualified economic development projects, such as job training and educational programs. Recovery Zone Facility Bonds are a type of traditional tax-exempt private activity bond that may be used by private businesses in designated recovery zones to finance a broad range of depreciable capital projects.

Qualified Energy Conservation Bonds (QECBs):

The Energy Improvement and Extension Act of 2008, enacted in October 2008, authorized the issuance of Qualified Energy Conservation Bonds (QECBs) that may be used by state, local and tribal governments to finance certain types of energy projects. QECBs are qualified tax credit bonds, and in this respect are similar to new Clean Renewable Energy Bonds or CREBs.

The October 2008 enabling legislation set a limit of \$800 million on the volume of energy conservation tax credit bonds that may be issued by state and local governments. However, The American Recovery and Reinvestment Act of 2009, enacted in February 2009, expanded the allowable bond volume to \$3.2 billion.

The advantage of these bonds is that they are issued--theoretically--with a 0% interest rate. The borrower pays back only the principal of the bond, and the bondholder receives federal tax credits in lieu of the traditional bond interest. The tax credit may be taken quarterly to offset the tax liability of the bondholder. Credits exceeding a bondholder's tax liability may be carried forward to the succeeding tax year, but cannot be refunded. Energy conservation bonds differ from traditional tax-exempt bonds in that the tax credits issued through the program are treated as taxable income for the bondholder.

QECBs are not subject to a U.S. Department of Treasury application and approval process. Bond volume is instead allocated to each state based on the state's percentage of the U.S. population as of July 1, 2008. The allocation for Kansas was \$29,070,000. Each state is then required to allocate a portion of its allocation to "large local governments" within the state based on the local government's percentage of the state's population. Large local governments are defined as municipalities and counties with populations of 100,000 or more. To date, Douglas County and the city of Kansas City have expressed an interest in issuing bonds for projects. Large local governments may reallocate their designated portion back to the state if they choose to do so.

The definition of "qualified energy conservation projects" is fairly broad and contains elements relating to energy efficiency capital expenditures in public buildings; renewable energy production; various research and development applications; mass commuting facilities that reduce energy consumption; several types of energy related demonstration projects; and public energy efficiency education campaigns. Renewable energy facilities that are eligible for CREBs are also eligible for QECBs.

I would be happy to answer any questions the committee may have.

Testimony on HB 2553

to

The House Economic Development and Tourism Committee

By Jeff Conway
Legislative Liaison
Kansas Department of Commerce

February 3, 2010

Chairwoman Gordon and Members of the Committee:

HB 2553 updates some references to the Standard Industrial Classification (SIC) code in the state statutes by converting them to references to the successor North American Industry Classification System (NAICS) code.

NAICS was developed under the auspices of the federal Office of Management and Budget (OMB), and adopted in 1997 to replace the SIC code. The Kansas statutes contained some limited flexibility to ease the transition, but the federal government and nearly all businesses now use the NAICS system exclusively.

Every effort was made to faithfully convert the old SIC code categories into the corresponding NAICS code categories, but a perfect match is often not possible. The changes were made to the relevant sections of the Kansas Enterprise Zone Act, the High Performance Incentive Program (HPIP), and the property tax exemption statute.

The HPIP program allowed the Secretary of Commerce to determine eligibility for the program when a difference existed between the SIC code and the NAICS code. With the elimination of the use of the SIC code by this bill, we propose that the Secretary still retain some discretion to determine eligibility for the program if the company's primary business activity does not align perfectly with the NAICS categories in place at the time of application.

Even with the passage of this bill, there may be a few remaining references to SIC codes in Kansas law. Those remaining references, however, are not in statutes that fall under the purview of Commerce. The changes in HB 2553 would adequately update the statutes for Commerce's purposes.

I would be happy to answer any questions the committee may have.